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The Impact of State-Promoted Participation in Democracy and Development: A Comparison of Venezuela and Mexico

Domenico Romero

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**The Impact of State-Promoted Participation in
Democracy and Development:
A Comparison of Venezuela and Mexico**

By Domenico Romero

A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment of the requirements for the degree of Doctor of Philosophy, The City University of New York

2017

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This manuscript has been read and accepted for the
Graduate Faculty in Political Science in satisfaction of the
dissertation requirement for the degree of Doctor of Philosophy

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Abstract

The Impact of State-Promoted Participation in Democracy and Development: A Comparison of Venezuela and Mexico

by
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Adviser: Professor Kenneth P. Erickson

During the past two decades participatory democracy policies came to be seen as a useful alternative to address high inequality and lack of meaningful political representation allowed by clientelist politics in various parts of the world. This project explores the question: what is the impact that state-promoted participation has on democracy and development, the two key areas that political reformers in Latin America attempted to improve at the turn of the millennium? The hypotheses that this project proposes in response to that question are that participatory policies do not underperform neoliberal policies on macroeconomic or human development; that state-promoted participation strengthens social capital and clientelism hinders it; and that state-promoted participation strengthens democratic values and clientelism hinders them. The macroeconomic and human development hypothesis is self-explanatory. However, the introduction of the concept of social capital is required here as part of the causal mechanism that explains the impact that clientelism and participatory policies have on democracy.

This study uses two cases that represent both ends of the political and economic policy spectrums: neoliberal Mexico under the PAN governments of 2000–2012, which broke a 70-year monopoly of the PRI, and participatory democracy in socialist Venezuela, where Hugo Chávez’s 1998 election broke the 40-year political monopoly of two centrist and elitist parties. The new political beginnings in these countries resulted in similar achievements in economic and human development, and in divergent and complex trajectories in terms of clientelism and participation.

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1. Introduction: Participatory Democracy as Means to Dismantle Clientelism

Latin America has for a long time faced many challenges in sustaining its democracies. As seen in political crises throughout the region, among the most urgent of those challenges are high inequality and lack of meaningful political representation. During the first half of the twentieth century various countries in the region adopted clientelist structures. These structures incorporated different and growing sectors of the population into a system that opened new but restricted opportunities for their political participation, while also allowing the political elites to exercise stronger coordination and control over them. Despite decades of elections and reforms, the great majority of citizens still continued to see their political elites as, at best, inefficient and disengaged from their needs, and, at worst, eager to sacrifice the population's wellbeing in order to achieve personal gain. A perceived result of this disengagement is the government's inability to tackle deeply embedded social problems, such as poverty and inequality. In those places, the experience of unpopular neoliberal shock therapy of the 1980s and early 1990s, which stabilized macroeconomic indicators at the price of rising inequality and poverty, was seen as a symptom of a democracy that did not represent the will of the majority. In response to this, in some of these countries' civil society actors forced political transitions oriented towards reducing inequality and dismantling clientelism that was used to politically manipulate poorer populations. In short, these civil society actors sought to deepen democracy.

In those countries, new actors broke through political paralysis to get elected under the promise of implementing new initiatives to reduce poverty and inequality, and to dismantle the legacy of clientelism and political exclusion. They attempted to do so by implementing a variety

of policy approaches, both in the economic and social arenas. Economically the spectrum ranged from market-centered neoliberalism to state-centered socialism. And in terms of social initiatives, the range of policy implementation went from a continuation of the same clientelist practices of the past but led by new political actors, to citizen-based social initiatives on what has come to be known as participatory democracy. This dissertation uses two cases that represent both ends of these spectrums: neoliberal Mexico under the PAN governments of 2000–2012, which broke a 70-year monopoly of the PRI, and participatory democracy in socialist Venezuela, where Hugo Chávez’s 1999 election broke the 40-year political monopoly of two centrist and elitist parties. These case studies were chosen not only because they represent both ends of the economic and political spectrum, and occurred during the same era, but because the reforms they adopted took full advantage of unprecedented political opportunities in their respective countries to enact innovative reform.

Given that during the past two decades participatory democracy policies came to be seen as a useful alternative to address the challenges mentioned above, this project explores the question: what is the impact that state-promoted participation has on democracy and development, the two key areas that political reformers in Latin America attempted to improve at the turn of the millennium?

The hypotheses that this project proposes in response to that question are that participatory policies do not underperform neoliberal policies on macroeconomic or human development; that state-promoted participation strengthens social capital and clientelism hinders it; and that state-promoted participation strengthens democratic values and clientelism hinders them. The macroeconomic and human development hypothesis is self-explanatory. However, the introduction of the concept of social capital is required here as part of the causal mechanism

to understand and assess the impact that clientelism and participatory policies have on democracy.

The new political and institutional beginnings in Mexico and Venezuela at the turn of the millennium resulted in similar achievements in economic and human development, and in divergent and complex trajectories in terms of clientelism and participation. On this aspect, the at-times contradicting interests and actions of national politicians, federal program directors, and local-level operatives, were critical in the level of participation achieved through such programs. In fact, a key aspect of this project centers on developing an analytical model highlighting the differences that existed at the macro and micro levels in the implementation of participatory politics and clientelist politics.

In the case of Mexico, especially during the Vicente Fox administration, there was a strong initiative to curtail clientelism in the Oportunidades program, led by the “civic current” within the administration. This effort achieved significant changes at the institutional federal level, designing stronger evaluation systems and encouraging the public to denounce instances of clientelism and corruption. However, at the micro level, clientelism continued to operate in part due to the still ample range of discretionality allowed in the selection of beneficiaries, and to the significantly low levels of prosecution on cases of clientelism and corruption that the federal government allowed to continue. This divide between the macro and micro levels from an early stage in the PAN administrations set the tone for the disenchantment with democracy that characterized the rest of this period, and the one that this study asserts is associated to the decade-long decline in social capital and democratic values experienced in Mexico.

In the case of Venezuela, at the macro level the Chávez administration promised that spaces for participation would be extended to traditionally marginalized communities, and

significant investment went into social programs that, through participatory mechanisms, did in fact allow for a significant number of people to become involved and to see improvements in their personal well-being and that of their communities. At the micro level, the participatory nature of these programs, especially during their first years, connected the government's discourse with the daily experiences of many people for whom governmental policies had resulted in increased poverty and inequality during the previous decades. This coherence between the macro and micro level meant for many Venezuelans that change was possible through voting, which was probably for the first time significantly connected directly with community level expectations. Beyond elections, the macro and micro coherence was perceived by the population in state policy, especially through participatory programs that facilitated for those traditionally excluded to make a positive difference in their own communities. This study suggests that such dynamics are associated to the increase in social capital and democratic values that Venezuela experienced for the most part of the first decade of the Chávez administration.

However, after 2007 Venezuelan politics became more polarized, which was reflected in a slowdown and plateauing of indicators on social capital and democratic values. The 2007 referendum, in which the public perception of Chávez as too interested in accumulating personal power caused its defeat, and reflected an increased polarization taking place within Chavismo. While many of the president's supporters wanted things to continue more or less the way they were during the first seven years of the administration, there were others who wanted the socialist process to deepen and to give more power to the grassroots, at the expense of political power held by traditional instances of local government, often held by the opposition. At the same time, the opposition started a new wave of increasingly contentious demonstrations, which continued until Chávez's death and into the Maduro administration. This double pressure on the

Chávez administration from the left and from the right, took much of the focus that the government had on participatory policies and moved it increasingly towards the growing political crisis. Therefore, the coherence between the macro-level participatory discourse and the micro-level of community participation did not break, given that many of the programs continued to exist in much of their original form, but it became weakened. This happened, as the focus of politics seemed to have moved from improving people's livelihoods into winning the war against the opposition and building a socialist infrastructure.

Macroeconomic development is another aspect in which an increasing divergence between the macro and micro levels was perceived in Venezuela. During the first years of the Chávez presidency, with the exception of the general strike and oil lockout period in 2002-2003, the economic boom that the country experienced at the macro level was reflected at the micro level through social investment and subsidized prices. These started to be affected after the 2008 recession, when the government was able to stabilize macroeconomic indicators relatively fast, but money towards the social programs did not flow in the way it did in the previous years. Still, the government continued to try to reach again the level of investment in social programs and subsidies it had before the crisis, stretching its capabilities. Such subsidies had already resulted in the increasing existence of black markets that were making large profits by reselling subsidized goods. This, was one of the contributing factors to the instability in the economic system that resulted in the economic collapse of 2014-2015.

In sum, coherence between the macro-level political discourse and the micro-level implementation of policies makes a significant difference in the perception that the public has about a government, about its commitment to change, and about how successful democracy is at making change possible. In Mexico from the beginning of the PAN administrations, and in

Venezuela towards the end of the Chávez presidency, the contradictions between macro-level discourse and micro-level realities eroded social programs themselves, as well as indicators of social capital and democratic values. This fuller picture provides an important lesson for Latin America as new parties and ambitious promises shape democracy throughout the region. In particular, it shows that efforts to address some of the region's most urgent issues, such as clientelism, inequality, and limited participation.

1.1. Literature review

This study is situated theoretically in the debates analyzing the impact that the state can have in dismantling clientelism and strengthening social capital and democracy, through the promotion of participatory democracy.

1.1.1 CLIENTELISM

Definition and components of clientelism

The study of clientelism, through the concepts of patronage and patron-client relations, can be traced to the 1950s and 1960s and even earlier (Boissevain 1966; Campbell 1964; Foster 1963; Greenfield 1977; Leeds 1964; Pollock 1937; Sorauf 1956; Wolf 1951, 1956, 1966). However, the study of clientelism experienced an significant wave of attention in the 1970s, when James C. Scott (1972) highlighted the existence of informal, patron-client relationships that had their origins in labor-related patronage relationships, but came to permeate modern institutions such as bureaucracies and political parties. He saw these relationships as existing mostly in pre-industrialized societies, and deemed them useful to understand the mechanisms for the creation of political loyalties and for the distribution of resources in those countries. Other

authors, such as Shefter (1977), followed this line of analysis, but widened the scope of study to include industrialized societies.

In a recent analysis on the state of the art on the study of clientelism, Hicken defines it as:

“a combination of particularistic targeting and contingency-based exchange [...] which thrives both in autocracies and democracies [and] fades away in some political contexts but adapts and survives in others.” (2011, 289).

According to Hicken, the study of this topic has been characterized by lack of conceptual clarity and of consensus. Nonetheless, he identifies five main elements that are important for its analysis: dyadic or network relationships, contingency, hierarchy, iteration, and volition.

Dyadic relationships are those that exist between only two actors, often characterized as a patron and a client. In a clientelist system, this dyadic relationship repeats many times between the patron and multiple clients, as can be the case of an elected official and the beneficiaries of a program conditioned to their political support, or of public resources distributed in personal handouts. This conditioning of benefits is an example of the contingency that defines clientelism, a reciprocal exchange between patron and client. Contingency gives the patron the power to provide benefits to people who enter the clientelist relationship and to deny it to those who don't, something that is not possible to do with universal public programs such as unemployment benefits in the U.S.

However, while this clientelist exchange is expected to be reciprocal, that is, bidirectional, it is also likely to be asymmetrical due to the power differential between patron and client, adding the element of hierarchy. In addition, a clientelist relationship is an ongoing one, which differs from a bribe or a gift given by political candidates to potential voters at an event. This iterative characteristic provides the predictability required for clientelism to work.

According to Hicken, “the concept of volition as a possible element of clientelism is strongly debated in the literature” (Hicken 2011, 293), given that some authors believe that both actors are able to end the patron-client relationship when this stops serving their interests, while others think that power asymmetry in clientelist relations is usually so large that the cost of exit is too high for clients, who often end up continuing their participation in the system even if feeling discontented about it.

Finally, in more complex societies and political systems, the clientelist relationship has transformed from a dyadic one into a clientelist network, in which different actors play various roles, exchanges flow between many of them, and hierarchies and iteration remain (Hicken 2011, 290-4).

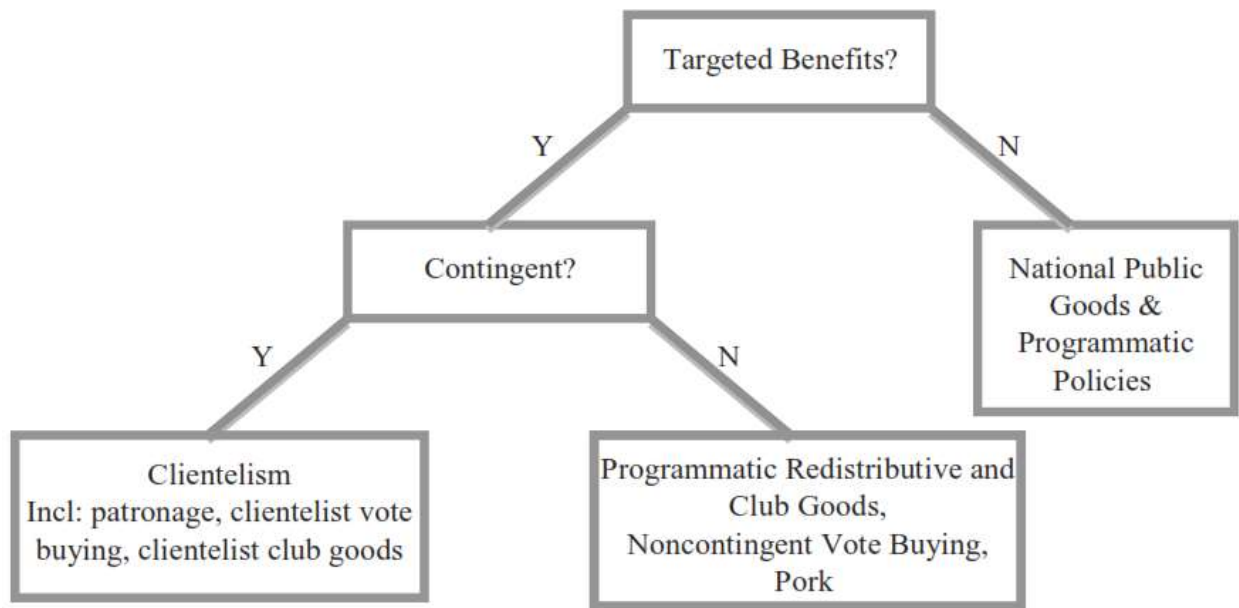
Clientelism and other distributive strategies

For Stokes, “the story of the demise of clientelism [is] the prehistory of the welfare state” (2013, 6). That is, clientelism is a form of distributive politics characterized by being non-programmatic and contingent upon an individual’s support, and is expected to disappear as democratic politics are able to establish distributive policies in programmatic and non-contingent ways.

In order to clarify the difference between clientelism and other distributive strategies often used interchangeably, such as patronage and vote buying, Hicken reviews how the literature approaches them, using the elements to define clientelism outlined above. Under this analysis, patronage is limited to relationships in which the patron is an office holder. For this reason, Hicken suggests that patronage can be understood as a form of clientelism, which can also exist with non-office holders as patrons.

In the case of vote buying, the author also sees it as a form of clientelism when there are efforts to enforce contingency, that is, when the patron takes measures to try to ensure that those receiving benefits are voting for him or her, or when the iterative character of the relationship between patron and client is such that the likelihood that the client will vote as expected is high. On the contrary, Hicken believes that a form of non-contingent vote buying takes place, for example, when a political candidate gives gifts to people in a political rally but does not take steps to know if they will be in fact voting for him or her, or does not have a continuous relationship with those in attendance. Figure 1.1 describes these differences, showing also how, as Stokes points out, targeted redistributive programs do not constitute clientelism as long as their implementation is not contingent upon the beneficiaries' political support.

Figure 1.1. Clientelism versus other distributive strategies



Source: Hicken (2011, 296)¹

¹ In this figure “National Public Goods” are universally distributed goods, and “Club Goods” refers to “benefits directed at groups of individuals, which can be withheld from other groups but not withheld from individuals within the group” (Hicken 2011, 291).

Clientelism and democracy

Some of the first studies on clientelism approached it as a characteristic of pre-modern societies that would disappear as these would eventually transition to democracy (Eisenstadt and Lemarchand 1981; Gellner and Waterbury 1977; Scott 1977). Later, it became clear that clientelism could survive democratization and existed in societies with competitive electoral systems, prompting the focus of analysis on clientelism as a political strategy and form of social and political exchange (Chubb 1982; Eisenstadt and Roniger 1984; Roniger 2004). Today, there is interest in learning about how clientelism coexists with and even thrives in a context of competitive elections.

According to Hicken, some of the current scholarship

“aims to build and test generalizable arguments about the causes and consequences of clientelism, [and] the development of a more nuanced theorizing and a move away from viewing clientelism through a dichotomous lens (i.e. the presence or absence of clientelism) toward understanding why and how the degree and pattern of clientelist exchange can vary across states” (2011, 297).

One of the aims of this project is to contribute to this analytical approach by studying the experience of two contemporary developing democracies with strong legacies of clientelism, identifying the ways in which this continues to exist or not after significant political transitions.

Jonathan Fox argues that the differentiation between clientelism and other redistributive approaches such as pork barrel politics or programmatic redistribution is not as straight forward as Stokes and other observers believe. For him, “[p]oliticized resource allocation and programmatic/entitlement-based approaches are often assumed to be inherently mutually exclusive, yet in practice they overlap” (2012, 196). Fox explains that there are two distinct principles conflated in these ideal types: *discretionary vs. rights or entitlement-based criteria* on the one hand, and *individualized vs. collective* resource allocation on the other, and they vary independently, as described in Table 1.1.

Table 1.1. Contrasting principles for allocating public resources: Discretionary, formula-based or demand-driven.

<i>Scope</i>	<i>Discretionary/from above</i>	<i>Rights/entitlement/demand-based</i>
Individualized	Election-time gifts, vote-buying	Access to broad social programs, such as conditional cash transfer payments
Collective	Pork barrel community projects, partisan-biased	Public goods (schools, clinics, water, sewage)

Source: Fox (2012, 197).

While the difference between pork barrel projects and programmatic public goods seems to be clear, Fox argues that in reality this is not the case, as much programmatic investment is not decided under evidence-supported needs-based criteria. Many programmatic funds are simply allocated from the federal government to the states and from there to localities, which then decide how to use them. And it is at the local level when the use of these funds often reflects political preferences, when local governments decide, for example, if they will allocate funds to revitalize a business area, beautify an upper-income neighborhood, or improve schools in a marginalized area.

The relevance of Fox's proposition is that even resources allocated programmatically that on paper may seem to be based on objective criteria, in practice can be implemented in clientelist ways when discretionality is high, or following Hicken's definition, when there is contingency in the allocation of resources. This has implications on the assumption of conditions that are sufficient to claim that clientelism exists or not in a particular policy. For example, if we were to take for granted the differentiation between clientelism and other distributive politics suggested by Hicken and others², conditional cash transfer programs that have publicly defined rules to

² In *Brokers, voters and clientelism: the puzzle of distributive politics*, Stokes et al (2013, 7) suggest a very similar flow chart to differentiate clientelism from other distributive politics to the one proposed by Hicken and reproduced in Figure 2.1.

define the universe of eligible participants, such as Progres/Oportunidades in Mexico, would not fit as a case of clientelist politics. Similarly, using Hicken's definition, programmatic redistributive programs open for the general public but targeted to the needs of vulnerable populations, such as the Misiones Bolivarianas in Venezuela, would also not be examples of clientelist politics. If this was the case, both countries would have successfully dismantled their respective clientelist legacies under the PAN and Chávez, respectively. This project analyzes the extent to which this has actually been the case, or conversely, the ways in which clientelism has survived or not under conditions of electoral democracy in both countries. In addition, it explores some ways in which the continuation or not of clientelistic practices may possibly continue at the local level despite national policies that promise the contrary.

According to Hilgers, in countries in which democracy has not been consolidated, "clientelism incongruously, and sometimes simultaneously, *erodes, accompanies, and/or supplements* democratic processes" (2012, 16; emphasis in original). It erodes democracy by individualizing demand-making and resource distribution, which divides communities and society. It weakens the value of electoral democracy, from a choice between policy platforms that affect all society, to the seeking of individual access to clientelist benefits. And it leaves a "legacy of nondemocratic political skills" and practices that hamper the evolution of a democratic culture. Clientelism also accompanies democratic development, by becoming more competitive as the number of patrons to choose from increases due to higher political competition. It even facilitates political stability due to the role it plays as pressure valve in contexts of high economic inequality, just as it does in nondemocratic regimes (Hagopian 1996). And finally, in some cases, clientelism may even supplement, or be complimentary to, democracy by providing opportunities to traditionally excluded populations to learn skills and

values. These may include participation in order to take advantage of programs, non-democratic cooperation in order to gain benefits for their own group and exclude others, and familiarity with the laws to benefit from them and exclude others (Hilgers 2012, 16-8).

As Fox argues, “this suggests the existence of an important grey area that is neither clientelistic nor strictly rule-based in the posited sense of a universal, consistently applied, programmatic approach to resource allocation” (Fox 2012, 201). According to him, the question is not whether there is clientelism or not, but the extent to which it exists, the ways it works, and the impact it has.

Following on these observations, the present study aims to provide a better understanding of some of the ways in which clientelism may still exist under electoral democracy in Mexico and Venezuela, possibly eroding, accompanying or complementing the democratic process in these countries. For this, a two-level analysis of the possible persistence of clientelism will be performed for each country, one level focusing on national politics and federal anti-poverty policy, and a second level looking at the way such policies are implemented at the local level.

1.1.2 PARTICIPATORY DEMOCRACY

Participatory democracy as a response to clientelism

The fact that clientelism can survive and even thrive in democracies is a concern that can be added to those already expressed by authors who see electoral democracy as limited. These include: Dahl (1972; 1989), whose description of democracy as an ideal type for which societies need to increase inclusiveness in the political process; Diamond (2002), who observes that in some places instead of democracy there is a form of “electoral authoritarianism” through which only a few members of the political elite have real access to elected office or to set the political

agenda; O'Donnell (1994), who argues that in some countries what exists is a “delegative democracy” in which an elite of elected leaders rules while seeking to keep their power as unchecked by the other branches of government; Levitsky and Way (2010), who describe the existence of competitive authoritarianism, a system in which competition is real but unfair, given that democratic institutions exist but the playing field is heavily skewed in favor of incumbents; and Piven and Cloward (2000), who assert that often this type of disenfranchisement is not the result of inefficient institutional design, but of lack of political will from the elites in power who prefer not to change the conditions of alienated poor and minority voters, in order not to lose their dominance over the political system.

As a response to these weaknesses, and in order to improve the quality of democracy, some suggest to improve its institutions and accountability mechanisms (O'Donnell 1998). Others are more interested in what has come to be known as ‘deepening democracy’ (Fung, Wright, and Abers 2003; Goldfrank 2007; Roberts 1998), which focuses on strengthening the role that a majority of citizens actively play in shaping government and society.

Definition and benefits of participatory democracy

In order to deepen democracy, some activists and members of civil society have developed and sought to implement the concept of participatory democracy (PD). Hawkins defines participatory democracy as “the use of mass participation in political decisionmaking to complement or (in the most radical versions) replace the traditional institutions of elections and lobbying associated with representative democracy” (2010a, 32). The notion of the population at large becoming involved in aspects of decision making is not a new idea, as the history of radical

and deliberative democracy from Rousseau to Habermas shows.³ However, after the “third wave of democratization” resulted in the implementation of relatively stable electoral democracies in a large number of developing countries by the late 1980s and early 1990s (Huntington 1993), it became salient to ask if this decision-making system provided enough representation to most of the population in highly unequal societies, as many of the new Latin American democracies were at the time.

In societies where inequality is high, participatory democracy finds fertile ground. The belief that representative democracy responds fairly well to the needs of most people may be widespread in countries with lower indices of poverty and inequality. Under these conditions, average citizens have not much of an incentive to spend the extra effort and resources to participate, unless they are ideologically committed to it. However, in places where the economic context reflects significant inequality, participation may seem a rational way for people to increase their individual chances to improve their livelihoods, and possibly those of their neighbors (Cunningham 2002, 140-1; Macpherson 1977, 98-108).

Some of the possible benefits of participatory democracy can be summarized as:

- *Learning about democracy.* By participating, individuals learn to interact with authority or institutional structures, building skills and leadership that help them to have continuous and more effective interactions with democratic processes and institutions in the future (Pateman 2012, 10); and
- *“Democratizing” democracy.* Providing individuals with opportunities to be included in making decisions about important aspects of their life and of society (Pateman 2012, 10).

³ “Deliberative” and “participatory” forms of democracy are often bundled together in contrast to less inclusive ones such as the “representative” type. However, there are significant differences among them, with advocates of participatory democracy arguing that deliberation is fundamental for democracy, but not enough (Pateman 2012, 8).

- *Legitimizing democracy and governance.* Giving members of a society a stronger sense that their voices are heard so that they have an impact on the way their government works, even if their preferred option does not always win (Cohen 1997).

In addition, some authors suggest that participatory democracy can also have a positive economic impact, in personal well-being as well as in an overall local and even national economy (World Bank 2008), but there is not significant empirical evidence to support this claim. On the other hand, Boulding and Wampler (2010) identified that despite slight increases in social spending, there are not negative consequences as result of the implementation of participatory initiatives.

First experiments in participatory democracy: Participatory budgeting

It is in the Latin American country with the highest level of inequality in the late 1980s, Brazil, that the first major experiments of participatory policy were implemented. After democratic rule was reintroduced in that country in 1985, various forms of participatory decision-making were advanced by local leftist governments with the support of civil society organizations. The most successful of these initiatives, was participatory budgeting (PB), which Russon Gilman defines as “a 1) replicable decision-making process whereby citizens 2) deliberate publically over the distribution of 3) limited public resources that are instituted [or implemented]” (2012, 2). PB was adopted in various municipal governments, most famously in Porto Alegre, as a way to limit discretionality that facilitated corruption and clientelism, in order to provide a platform for the voices of low-income people to be heard and to re-direct resources towards their needs. The success of this program earned it international recognition, and

validated it in the eyes of centrist politicians who adopted it too, increasing the scope and impact of this policy strategy (Avritzer 2009; Wampler 2007; Wampler and Avritzer 2004, 2005).

Through the implementation of participatory budgeting, some parts of Brazil experienced the transformation of a system based in closed associations that once were instrumental for clientelist policies, into a boom of civic organizations and social networks that co-facilitated the participatory budget process and helped to increase public participation in the initiative (Abers 1998).

Concerns about participatory democracy

Concerns about participatory democracy can be grouped into two main types: Skepticism about PD's effectiveness; and skepticism about the positive impacts that proponents assign to participatory democracy.

Regarding effectiveness, some authors have highlighted the possible development of a sort of elitism if participatory policies work only for a few (Sartori 1987), given that those with pre-existing associational experience are more able to take advantage of new spaces for participation (Fox 1995; Putnam, Leonardi, and Nanetti 1993). However, the participatory budgeting experience in Porto Alegre was a process in which, instead of keeping the decision-making power within a close circle, it expanded as it increasingly involved more people from the more disenfranchised sectors (Pateman 2012, 11-2). The key for this expansion was outreach and training done mostly by civic organizations, which, in collaboration with the government, involved and empowered people who otherwise would not have participated (Abers 2000).

Other observers are concerned about the possible gender gap that participatory democratic initiatives may involve, stating that “the more participatory a democracy sets out to be, the more it discriminates between women and men” because in contemporary societies

women work longer hours than men in and outside of the home, but they still have less access to experience of the type that translates easily into participatory policies (Phillips 1991, 162). Nonetheless, the experience of government or civil society programs requiring citizen involvement has consistently shown that women with few economic resources not only participate in them, but that they take the lead in involving others and in teaching them how to participate.

On what refers to skepticism about the supposed positive impact of participatory democracy, it can be argued that it is in the interest of the state not to allow citizens to become more empowered than what the state itself wants them to be. Therefore, a government-supported participatory policy provides citizens with only as much power as the government itself is willing to give up. According to Wampler, “participatory institutions also have the potential to undermine efforts to deepen the quality of democracy because citizens may be incorporated into state-sanctioned decision-making processes but not given meaningful levels of authority” (Wampler 2007, 62).

How much power does the state give the public through participatory programs depends to an extent on the ideas state actors have about participation. However, it also depends on the pressure exerted by participatory publics and other civil actors on the state itself. This produces a dual dynamic of cooperation and contestation that requires constant negotiation between civil society and government about how much participation to allow. At the most positive side of the spectrum, outcomes can include an increase in meaningful participation by an increasing number of actors. At the most negative side, outcomes can result in programs that are participatory in name but that function as tools for the government to contain other forms of organized action against it.

Among the factors that account for the difference in outcomes, Wampler finds in his study of the Brazilian experience that levels of contentious politics by CSOs and levels of state support for delegation of authority to citizens are they key. When both of these aspects are high, the result is what he calls institutionalized participatory democracy, which is more likely to produce positive outcomes. However, when both factors are low, the “the least successful cases” result, on what he calls emasculated participatory democracy. “No contestation, no delegation” is the lesson Wampler draws from these type. When the government has interest in the program to legitimize itself, but there is no contestation, the result can be a coopted participatory democracy.

However, when there is interest and contestation from civil society, but low interest from the government, Wampler argues that an informal and contested participatory democracy takes place in which there is pressure on government but little access to it (Wampler 2007, 72-4). A recent symposium on the first five years of participatory budgeting in New York City also addresses the relevance that contestation has in order to move the participatory experience into a next phase that will be more meaningful for the public involved (Lerner 2017; Su 2017). All these various types show the relevance not only of the intent the government has, but also of the level of contestation and organization that exists. Moreover, it is feasible that some experiences of participation may move among these different types depending on changing political contexts.

Beyond the macro-level design of a participatory program and the overarching relationship between government and civil society, the success of participatory initiatives can also depend on local realities, and there are some who argue that participatory democracy can be used for clientelist goals at the local level. While participatory policies seek to deepen democracy, the actual implementation of some of them can provide significant space for

discretion. For example, participatory budgeting may be publicly advertised and open to anyone, but partisan networks may be informally used to promote attendance of party sympathizers, as Fox (2012, 201) explains:

“Participatory budgeting would seem to be a ‘paradigm case’ of the potentially consistent application of rules in ‘programmatic’ public goods allocation. Yet deliberative resource allocation processes may involve overlap between the principles of deliberation, rules and elite discretion. Even though deliberative processes are often governed by rules and formulas, they are not invulnerable to the politicization of the application of those rules. For example, the degree of partisan politicization of participatory budgeting varies empirically.”

There are legitimate concerns about the extent to which participatory democracy can in fact be positive and achieve its goals. In order to make participation work, a critical element is the existence of a process of outreach and training that facilitates the inclusion of traditionally marginalized sectors. Also, it is not enough to look at the participatory features in the macro-level design of a social program, but it is equally or even more important to understand if the way this program is implemented at the micro-level fulfills the participatory goals, or if on the contrary it undermines them, as well as the extent to which policy allows for this to happen. Lastly, the participatory program has to create venues for increasingly meaningful participation. These are important aspects that will be explored in the two cases analyzed in this project.

1.1.3 SOCIAL CAPITAL

Participatory programs may play a positive role in democracy by removing clientelist practices and their negative outcomes, but what are the specific positive elements that participation builds instead? It is one of the main interests of this project to assess whether participatory programs affect democracy positively by building social capital.

Social capital definition, components, and types

According to Portes (1998), Pierre Bourdieu wrote the first systematic contemporary analysis of social capital in *The forms of capital* (1986) but did not receive much attention in the United States because it was not translated into English. In this work, Bourdieu defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition" (Bourdieu 1986). For Portes and Landolt (2000), the key to understand Bourdieu's treatment of this concept is his description of social capital as an individual asset, which, by having a network of social ties, gives a person the *ability* to access resources, not the actual resources.

Through his work on social capital and education, Coleman focused on an aspect of social capital that facilitates the understanding of this concept as a collective asset: the role of norms of reciprocity as a component of social capital (Coleman 1987, 1988, 1990). Coleman suggested that identification of social capital involves a cultural dimension (trust) and structural dimension (networks). Later in life he became concerned with what he saw as the disintegration of 'primordial' family and communal ties guaranteeing the observance of norms, and its impact on social deterioration in the form of freeloading in schools and crime in the streets. In order to address this crisis, he advocated for the replacement of disappearing 'primordial' structures through the creation of organizations where incentives were built to stimulate networks and develop trust (Portes and Landolt 2000, 531-2).

Coleman's collective view of social capital was a flexible one, because, while he defined it first as "assets for the individual," he also broadened this perspective by explaining that "purposive organizations can be actors just as persons can, [and] relations among corporate

actors can constitute social capital for them as well” (Coleman 1988, 98). This conceptual flexibility made it possible for social capital to be understood as a relational concept, rather than a fixed, individual one. Social capital can therefore be explained by the existence of certain features in a collective (Paraskevopoulos 2010, 476).

Putnam’s work on civic participation (Putnam 2000; Putnam, Leonardi, and Nanetti 1993) moved the focus of analysis towards an understanding of social capital as a collective asset. According to Putnam, social capital consists of the “features of social life—networks, norms, and trust—that enable participants to act together more effectively to pursue shared objectives” (Putnam, Leonardi, and Nanetti, 664-65). While in Bourdieu’s definition the social component, networks, has the purely instrumental role of facilitating the ability to obtain resources, in Putnam’s definition networks continue to serve the same purpose, but the resources pursued and obtained are not exclusively for the individual anymore. Instead, the resources obtained are for the collective, based on its “shared objectives.” Thus, under this perspective, social capital is not only social in its means, but also in its ends. This view has become the most widely adopted. For example, Francis Fukuyama defines social capital as “shared norms or values that promote social cooperation, instantiated in actual social relationships” (Fukuyama 2001, 27). The three main elements found in Putnam’s concept are there: *networks* that build agency, *trust* that allows network members to cooperate, and actual *action based on shared goals*.

The existence of trust is particularly important in the concept of social capital, as this is the feature that removes classic problems of collective action by resolving the uncertainty that would deter partners from working together. However, personal trust is not enough for collective action to take place. For this, it is also necessary the existence of social or generalized

trust, which gives individuals some certainty that even unknown people will act according to expected norms. Social trust is therefore closely related, according to Putnam, to norms of reciprocity and solidarity, and to networks of civic engagement (Putnam, Leonardi, and Nanetti 1993). Norms of reciprocity based on networks of known people, make it possible for trust to be a “well-grounded expectation about the preferences of other people” (Herrerros 2004, 6) rather than a blind leap of faith.

Under different circumstances, trust builds different forms of social capital, some of which are more likely to facilitate positive societal outcomes than others. *Bonding* social capital, for example, is a trust link that is strong within a closed group, and weak towards people outside of that group. This often results in the small group’s self-isolation and in lower chances for this group to collaborate with people outside of the group. While bonding social capital may facilitate some positive outcomes for those within the small group, the lack of trust between this group and those outside of it hinder the possibility of working together to achieve positive outcomes for everyone, those within and those outside the group.

In contrast to *bonding* social capital there is a different type of social capital, deemed as *bridging* social capital, which is at work when social trust is strong in a larger collective even among individuals and groups who do not know each other personally. This social trust is based upon the assumption that the other members of the collective share similar fundamental values and goals. Under this point of view, relationships between individuals, personally known or not, are not deemed as a zero-sum type, but rather as collaborative. Because social trust is based on a sense of common purpose, it also facilitates collective action and thus the achievement of societal positive dynamics.

A third concept is known as *linking* social capital, that is related to “mechanisms which enable a community’s associational capacity, namely, bridging social capital, to express itself through interactions with political institutions, thus contributing to the production of public goods and policy outcomes at large.” The positive aspects of *linking* social capital go beyond positive dynamics at the level of social interaction, to include the way in which this social capital affects institutions and policy. According to Paraskevopoulos, this is the least researched of the three types of social capital, but also the most important for public policy. Its understanding entails longitudinal rather than cross-sectional studies, in order to understand how change occurs over time (Paraskevopoulos 2010, 477-8). The present study intends to contribute in this direction, providing a twelve-year longitudinal analysis of the two country-cases studied, in order to assess the relationship between public policy and the evolution of social capital.

Measuring social capital

Following on the definition of social capital discussed above, the most common way to study social capital in political science is through the use of mass-survey data on aspects of trust and of participation in networks. While these aspects continue to be the core of social capital analysis, the different forms of social capital that result from different forms of trust imply the need for more information beyond membership in groups to understand what type of social capital is at work. That is, while some individuals may show high rates of group membership, this could possibly also reflect participation in groups that exclude and distrust others and society in general. The bonding social capital that this represents is not the type that is deemed positive for democracy, but the contrary (Rothstein and Stolle 2008, 442-3). For example, the close relationships that exist among those who are part of a clientelist structure exclude on political

grounds other eligible beneficiaries, resulting in a situation that weakens democratic principles of equal treatment and representation. How to identify the difference among these types when assessing social capital? One option is to look beyond organizational membership and identify generalized trust as the critical indicator for this: if this indicator is high, the chances are that the analyzed social capital can have a positive impact on the broader population's wellbeing, beyond the immediate group needs.

Still, the understanding of social capital based exclusively in trust and networks is limited, and some authors have identified proxies related to this concept that facilitate a more broad assessment about the specific characteristics of the identified social capital. For example, authors such as Narayan and Cassidy (2001) propose a multidimensional measuring of social capital, based on three aspects: 1) social capital measures, including trust, group membership, norms and volunteerism; 2) measures determinant of social capital, such as life satisfaction, identity, news consumption, etc.; and 3) outcome measures, including perception of corruption, confidence in institutions and government, political interest, concern for inequality (Paraskevopoulos 2010, 479). Similarly, in their study on health in Nicaragua, Mitchell and Bossert (2007) separate *structural* from *cognitive*⁴ dimensions of social capital, and for their analysis use an expanded questionnaire based on the World Bank's Social Capital Integrated Questionnaire (SC-IQ) described in depth in Grootaert et al (2004). All these studies share a concern for using a multidimensional approach to assess more information beyond organizational membership and generalized social trust to study social capital. This approach increases the depth and texture of our understanding of social capital, but it is also more demanding in its application which complicates the collection of information at large scale.

⁴ Mitchell and Bossert identify network connections as the *structural* dimension of social capital, and attitudes toward trust as its *cognitive* dimension (2007).

Some studies, such as this project, attempt to increase the dimensions considered in the analysis of social capital, while also working under the limitations of existent data.

Social capital and the state

Besides the multidimensional approach to the analysis of social capital, some authors emphasize the importance of an institutional approach that can link social capital to the political context and institutions, on the assumption that “government institutions and policies create, channel, and influence social capital.” In their study in Italy, Putnam et al also identified the correlation between generalized trust, institutional performance and confidence in politicians, and suggested that trust was the independent variable in this correlation. However, as Rothstein points out, the causal mechanisms are not clear and the reverse logic is also plausible. Out of this observation, another institutional approach focuses on the role played by the state at generating social capital, given that states can provide certainty and even promote citizen integration and participation (Rothstein and Stolle 2008, 443-4).

In order to identify the causal mechanisms in which state action can facilitate social capital, Rothstein suggests looking at different aspects of government and governance, starting at the level of partisan politics. When citizens look at government in a general way, they are more likely to see it through partisan lens. If they trust the party in power, they will trust government, and if they are politically aligned with the opposition, they will be unlikely to trust government in general. This means that the political trust that comes from this partisan view of government is unlikely to be translated into generalized social trust.

The level of partisan view on government is not likely to have an impact in generalized social trust, but the type of particularized interaction with government agents does. In their analysis of corruption in citizen-level institutions, Rothstein and Stolle (2008) argue that

citizens' direct interaction with efficient and non-corrupt agencies builds generalized trust and the expectation that people will behave the same way in society. And vice versa, interaction with inefficient and corrupt agencies leads to believe that people will act similarly in order to navigate that system, reducing social trust. The logic in this example can be applied to clientelist systems where unequal and partisan treatment from government officials at the local level would be expected to reduce social trust.

This causal mechanism can also be translated to other direct interactions of citizens with government agents. The positive impact of that interaction can be, as in Rothstein and Stolle's example, in the form of government agents not behaving badly. However, it could also be plausible to expect a similar result when citizens in a low-trust society experience an unexpected or uncommon good interaction with government agents, such as in the case of participatory policies.

Policies based on participatory-democracy principles, as described in the previous section, attempt to include traditionally excluded groups, and to give them more voice and power in the way government works for them. In addition, beyond the intentions of the policy in question, government agents implementing participatory initiatives are also more likely to behave in ways that make their interactions more pleasant and trustworthy than those experienced with government officials operating under primordially corrupt or clientelist structures. This study seeks to identify causal mechanisms between local level government agents and citizens, and levels of social capital, identifying similarities with the mechanisms described here in the clientelist and participatory cases analyzed in this study.

Social capital and democracy

Social capital, understood as an intervening variable as opposed to a predetermined one (Paraskevopoulos 2010, 475), is affected by a number of circumstances as described above, but it also affects other variables, among which democracy has been one of the main concerns for academics and practitioners alike. There are two main ways in which social capital is believed to affect democracy: by promoting political participation and building values among citizens that are the foundation for a healthy democracy; and by developing values and skills that are useful for good governance and public policy performance.

First, social capital strengthens the foundations of a healthy democracy “by affecting both the *quantity* and *quality* of political participation by citizens” (Paxton 2002, 258). Increased participation in voluntary associations builds reciprocity, and develops experience that leads to further participation, including in the political realm. This correlation between voluntary membership and political participation has been established empirically in various studies (Verba, Nie, and Kim 1979; Wolfinger and Rosenstone 1980). In terms of the *quality* of political participation, the bonds that exist in social capital are believed to strengthen virtues such as tolerance and respect for opposing views, which provide trustful conditions for informed and reasoned political debate (Calhoun 2011; Habermas 1989).

The second main way in which social capital can contribute to democracy is by strengthening democratic governance. Social capital does this by helping resolve principal-agent problems and overcome dilemmas of collective action (Paraskevopoulos 2010, 480-1). In this way, generalized social trust makes it possible for people in a democracy to accept policy outcomes that do not benefit them directly, as they believe in the existence of a collective sense of purpose that seeks the best outcomes for their society as a whole. Through achieving

collective action, social capital supports the development of an informed and conscious electorate; facilitates rule compliance based on trust and on the strengthening of civic norms; and underlines the advantages of pursuing collective goals (Boix and Posner 1998). Some studies have assessed the plausibility of the correlation between social capital and democratic institutional performance. For example, in his study of United States' data, Knack (2002) found a strong correlation between better governance and social reciprocity components, such as trust and volunteering. Similarly, Paxton's analysis of World Values Survey data in 46 countries finds that the causal correlation between democracy and social capital is strong, and works both ways in an interdependent relationship (Paxton 2002).

The present study focuses on the first aspect of the correlation between social capital and democracy, that is, on the promotion of political participation and the construction of values that are the foundation for a healthy democracy. In particular, it will explore the extent to which program participation strengthens social capital of the type that is good for democracy.

1.1.4 SUMMARY OF LITERATURE REVIEW

Clientelism can be defined as a combination of particularistic targeting and contingency-based exchange that has been often analyzed as a feature of some forms of authoritarian societies and that would disappear after these democratized. However, it has also been demonstrated to exist and possibly thrive in established electoral democracies. Clientelism, under democratic conditions, is not that different from targeted social programs, as both are distributive options that benefit a subgroup in society. The difference between the two is the contingency that exists in the definition of the universe of beneficiaries. While in targeted social programs this universe is defined through evidence-based formulas that reduce contingency, in the case of clientelist

programs there is significant room to select beneficiaries among those who support a specific political option. Contingency may not be explicitly defined at the managerial level of a specific social program, but if its implementation gives enough room for local operators to apply contingency in the way they run it, the final outcome is still the existence of a clientelist relationship between citizens and the government. In addition, in countries where democracy has not been fully established, clientelism can have a range of effects. It can possibly erode, accompany or even function in complementary ways to the democratic process.

To counter the negative social impact of clientelism, and in order to deepen democracy, activists have developed the concept of participatory democracy, which implies the use of mass participation in political decision-making to expand on what representative democracy allows for. The main benefits associated with participatory democracy are that it enables citizens to learn about democracy, that it democratizes decision-making mechanisms, and that it increases the legitimacy of government. The most famous tool of participatory democracy used in recent years is that of participatory budgeting, but other tools have also been experimented with, including the participation of citizens in local aspects of social and economic policy.

The positive impact of participatory policies is believed by some to go beyond the individual benefit for those who participate, and to provide benefits to society at large. This is obvious in the material aspect of some participatory policies playing a role in building public goods such as a health care center. However, participatory policies can also create a positive relationship between citizens and government agents they interact with, increasing these citizens' trust in government and more generally increasing their trust in society. In addition, individuals engaged in participatory policies increased their networks, especially those that allow them to seek shared goals. Social trust and networks are key components of social capital, which

establishes a correlation between participatory programs and increased social capital. There is no evidence of a clear impact, positive or negative, that participatory policies may have in the overall economy.

Besides the concrete increased trust in government that comes from a direct positive interaction with government officials through participatory programs, this can also translate into trust in democracy when democratic means have made possible the establishment of participatory policies that facilitate the inclusion of sectors of society that were traditionally marginalized. This impact is not only visible to those who benefit from the policies, but also even to those who do not agree with the government but who realize that democracy makes it possible for significant societal change to happen. This, added to the correlation established between social capital and democracy, supports the idea that participatory policies that respond to the populations' needs have a positive impact in perceptions about democracy among those who support the party in power, and even among those who oppose it.

Trust in government can also have a negative side, when it results in blind support for state action. The darkest side of this can of course be seen in popular support, at least initially, to governments that turn autocratic. However, even under democratic conditions, trust in government makes it difficult for some supporters to be critical of policies or actions that under different conditions would identify as negative. There are different sources of trust in government, from party allegiance, to support for specific policies, and even for fear of external threats. In the case of the trust in government that develops as a response to the state's implementation of participatory policies, it would be logical to expect that such trust would also weaken if such policies are removed, or are not perceived as important or effective. This situation could actually prompt contestation from the public, which as previously discussed it is

an important condition to increase the influence that people have in governance and continue deepening participatory democracy.

The theoretical correlations between participatory democracy, social capital and democracy presented here are used in the following section to build the research model for the present study.

1.2. Research Design

1.2.1 RESEARCH STATEMENT

This study examines the role and impact of participatory policies on democracy and social wellbeing. It asks whether these policies can facilitate the dismantling of clientelist practices and the extent to which they do so. It also assesses the effects of participatory policies on economic and human development, as well as on social capital and democracy.

1.2.2 METHOD

The research method used in this project is one of paired comparisons of most-similar cases based on analyses of both quantitative and qualitative data.

According to Tarrow (2010), paired comparisons constitutes a strategy that has been used extensively in comparative politics, from De Toqueville to Putnam, and it offers specific advantages that both single-case and multicase comparisons do not. Similar to large-N correlation strategies, paired comparisons create side-by-side sets of antecedent conditions with outcomes of interest in order to identify possible causal relationships. However, unlike multicase research, a paired comparison “allows for and indeed demands a degree of intimacy and detail that inspires confidence that the connections drawn between antecedent conditions and outcome are real” (Tarrow 2010, 239). In order to achieve this level of intimacy, the method of

paired comparisons requires deep background knowledge of the analyzed countries (Tarrow 2010, 243).

The in-depth capabilities of paired comparisons are similar to those of single case studies. However, in contrast to these, paired comparisons are closer to experimental design in the possibility of control for variables in a way single cases do not. And while in-depth single-case analyses can arrive at plausible explanations, paired comparisons add an analytical baseline that reduces the chances that the dependent variable existed even without the presence of the independent variable. This strengthens the inferential power of the design and makes the resulting explanation a more solid antecedent on which to expand, possibly through the use of multicase studies (Tarrow 2010, 244).

Przeworski and Teune (1970, 33) describe the most-similar systems design as one in which common characteristics between the cases are considered as controlled for, which opens the possibility to understand inter-systemic differences as explanatory variables. This strategy works best when in-depth analyses of each system is possible, such as in small-N situations like paired comparisons. This analysis provides both a more accurate identification of the common characteristics that will be disregarded as explanatory variables, as well as a closer picture of the non-common characteristics and the possible causal mechanisms at play.

In order to take the best possible advantage of the close analysis that the use of paired comparison strategy offers, this project combines quantitative and qualitative data. This approach makes it possible to rely on information deemed as more objective and scientifically gathered through quantitative methods, while its explanatory and causal gaps can be filled in with information gathered qualitatively. This, on the one hand, validates or qualifies the

quantitative observations, while on the other hand, it presents a clearer view of the way the suggested causal mechanisms operate (King, Keohane, and Verba 1994).

1.2.3 CASE SELECTION

Mexico and Venezuela share a similar history. Both Latin American countries were Spanish colonies that gained independence in movements lead by iconic figures that remain national heroes. Independence in these two countries was followed by a long period of unstable rule by caudillos, until authoritarian strongmen established peace through merciless force. In both places, U.S. interventionism has played a critical role politically and economically.

In addition, Mexico and Venezuela also share some key structural conditions. Both are rich in oil, which became both a blessing and a curse. On the one hand, they produced enough wealth to develop and industrialize to some extent, but on the other hand, the uneven distribution of oil wealth resulted in increases in economic and political inequality, which made it difficult for democracy to consolidate.

During the twentieth century both Mexico and Venezuela established clientelist systems, which provided stability while the flow of oil money was substantial, but which collapsed during the oil and debt crises of the 1970s and early 1980s. After this period both countries were pressured to implement neoliberal economic programs, which affected the poor and middle classes the most. Challenges to the regime emerged mostly through civil society, making possible the political transitions that elected Hugo Chávez in Venezuela in 1998, and in 2000 defeated the party that had held the presidency for seventy years in Mexico, the Revolutionary Institutional Party (PRI).

At the time of transition, both countries had nominally functioning electoral democracies, and therefore popular expectations for reform were less about competitive elections, and more about deepening democracy, particularly dismantling the clientelist system in both countries and reducing inequality. In order to achieve this, they implemented policies based on two contrasting economic ideologies: neoliberalism, in the case of Mexico; and a socially redistributive and economically inward-oriented model the government called “twenty-first century socialism,” in the case of Venezuela. And while the new National Action Party (PAN) administrations allowed the continuation of clientelist practices in social programs in Mexico, in Venezuela the Chávez administration promoted participatory democracy through those programs.

The similarities in these cases permit us to control to some extent alternative explanations that argue for high prices of oil, Latin American cultural traditions, or the pre-existence of clientelist systems as determinant factors for possible divergent outcomes in these two cases. Instead, this study aims to find whether the policy differences between the two post-transition governments in these countries can plausibly be at the root of the outcomes identified.

The period of analysis focuses on the years in which the post transition governments were in power. In the case of Mexico, Vicente Fox of the PAN was inaugurated on September 1st, 2000, and the PRI returned to power on December 1, 2012. And in the case of Venezuela, Hugo Chávez was inaugurated on February 2, 1999 and died on March 5, 2013.

For each of these cases this study performs both a quantitative and a qualitative analysis. The quantitative analysis, presented in Chapter 4, looks at the evolution of macroeconomic and human development indicators, in order to assess whether the different policy approaches adopted in Mexico and Venezuela yield significantly different outcomes or not. This is relevant given that the neoliberal approach adopted in Mexico stands as the dominant economic paradigm

in the eyes of most mainstream economists and policy-makers, and from that perspective the model followed in Venezuela has been expected to result in a comparatively deficient performance. The qualitative analysis, discussed in Chapter 5, looks at variation in components of social capital and democratic values, in an attempt to identify if the different policy approaches followed in these countries resulted in any difference in these indicators.

1.2.4 HYPOTHESES

The first hypothesis in this project results from the literature on participatory democracy and states that:

1. *“Participatory policies do not underperform neoliberal policies on macroeconomic or human development.”*

The theoretical model for the second part of this project is built from the conceptual relationships between clientelism, participation, social capital, and democracy, analyzed in the Literature Review. This model is described in Tables 1.2 and 1.3.

From this model, two hypotheses are developed:

2. *“Program participation strengthens social capital and clientelism hinders it”*
3. *“Program participation strengthens democratic values and clientelism hinders them”*

Table 1.2. Theoretical Model, Part 1: Impact of Program Participation in Social Capital and Democratic Values.

Program Participation promotes these actions...	...which through these Causal Mechanisms...	...lead to these components of...
<ul style="list-style-type: none"> • Establishes new collaborative relationships among people • Develops in people experience of collaboration • Promotes collaborative work towards individual as well as community goals. 	<ul style="list-style-type: none"> • Perception that people known through programs can be trusted • Observation that there are program expectations for large numbers of people to behave in the same trusting way as the people s/he knows through the program. • Observation that it is possible to achieve important goals collectively 	<p>Social Capital</p> <ul style="list-style-type: none"> • Increased interpersonal trust • Increased and stronger networks • Increased motivation to achieve collective goals
<ul style="list-style-type: none"> • Provides people with an experience of collaboration with government on issues that affect them 	<ul style="list-style-type: none"> • Beneficiaries' perception that government agents personally known through the program can be trusted • Beneficiaries' perception that government agents not-personally known operating the program can be trusted • Public perception that government agents can be trusted, as result of beneficiaries' positive stories. • Observation that government responds to needs of a traditionally marginalized portion of the population as result of significant voter participation 	<p>Democracy</p> <ul style="list-style-type: none"> • Increased Political Participation • Increased trust in Government • Increased support for Democracy • Increased satisfaction with Democracy

Table 1.3. Theoretical Model, Part 2: Impact of Clientelism in Social Capital and Democratic Values.

Clientelism promotes these actions...	...which through these Causal Mechanisms...	...lead to these components of...
<ul style="list-style-type: none"> Establishes non-democratic competitive relationships among people within same communities Develops in people experience of non-democratic competition Promotes non-democratic competitive work towards individual goals, not community goals. 	<ul style="list-style-type: none"> Perception that people known through programs cannot be trusted Observation that there are program contingencies that create incentives for large numbers of people to behave in the same untrusting way that the people s/he knows through the program. Observation that only possible way to achieve goals is by looking out for one's self. 	<p>Social Capital</p> <ul style="list-style-type: none"> Decreased social trust Decreased and weaker networks Increased motivation to seek individual goals, not collective goals
<ul style="list-style-type: none"> Provides people with an experience of manipulation by the government on issues that affect them 	<ul style="list-style-type: none"> Beneficiaries' perception that government agents personally known through the program cannot be trusted Beneficiaries' perception that government agents not-personally known operating the program cannot be trusted Public perception that government agents cannot be trusted, as result of beneficiaries' negative stories. Public observation that government does not respond to needs of marginalized voters even when they voted for the party in power 	<p>Democracy</p> <ul style="list-style-type: none"> Decreased Political Participation Decreased trust in Government Decreased support for Democracy Decreased satisfaction with Democracy

1.2.5 DATA COLLECTION AND MEASUREMENT

Evaluating economic and human development

Since the 1990s and especially through the work of the United Nations Development Programme (UNDP), it has become clear for academics and practitioners that macroeconomic growth data provide an incomplete picture about a country's development, and that additional indicators are needed for this. Key among those indicators are the Gini index, which measures inequality, and the Human Development Index (HDI), which is built as a combination of income, health, and education measures. This study presents a collection of both macroeconomic and human development indicators for the two analyzed cases, in order to evaluate if the implementation of participatory policies makes a significant difference in development when compared to the dominant neoliberal approach.

Assessing participation and clientelism

The assessment of the existence of participation and clientelism in the social programs analyzed in this study takes place at two levels.

The first level of analysis is institutional, through the identification of explicit intentions to make programs participatory, and of mechanisms established for this. If participation is not sought institutionally, the next question is to identify if there are clear policies and mechanisms that facilitate the continuation of clientelist relationships between program beneficiaries and the government. While the theory in participatory democracy suggests that participation and clientelism are mutually exclusive, an analysis assessing both at the same time may identify ways in which the two coexist.

The second level of analysis is at the level of civil society. It takes place through analysis of secondary literature and media coverage, as well as through interviews of domestic actors with significant knowledge of the studied social programs. These actors include academics, members of the organized civil society, and current at the time or former members of the government. The interviews conducted with these individuals were based on open-ended questions, some of them in person during visits to Caracas and Mexico City, while other took place through telephone or internet-based video conference. These interviews focus primarily on the interviewee's assessment about the participatory or clientelist nature of the operation of social programs, on the basis of their direct professional experience.

Measuring social capital and democratic values

As discussed in the literature review, the most commonly used method for social capital measurement in political science is by analyzing mass-surveys assessing trust and group membership. However, in order to better understand the characteristics of social capital, academics and practitioners are increasingly using a multidimensional approach, still using measures of trust and group membership, as well as other additional variables related to these concepts.

Following on this, the present study uses mass survey data to analyze the following multiple dimensions, based on those proposed by Grootaert et al (2004) and adopted by the World Bank in its Integrated Tool (2016a) for the assessment of social capital:

1. Trust.
2. Groups and networks.
3. Collective action.

4. Social inclusion.
5. Empowerment and political action.

The first three dimensions are related to the classic definitions of social capital, and the last two to aspects of the social and political context that can help understand if the type of existing social capital is of the type that is good for democracy, or of the type that promotes exclusion and isolation.

In order to identify the state of democratic values, this study uses as primary variables for its analysis:

1. Political Participation (Verba and Nie 1987).
2. Support for Democracy (Inglehart 2003)
3. Satisfaction with democracy (Canache, Mondak, and Seligson 2001).

In addition, two other indicators particularly relevant to Latin America are also used:

4. Development of Democracy, meaning for how long has the country been democratic, according to citizens' perception.
5. Tolerance towards authoritarianism.

The survey data used in this project to assess both social capital and democratic values is retrieved from the Latinobarómetro Corporation database, which contains information from annual surveys from 1995 to the present, with the exception of 1999, 2012 and 2014. This non-governmental organization has working partnerships with the United Nations Development Programme (UNDP) and the Inter-American Development Fund (IDB), both of which use

Latinobarómetro data on regular basis, demonstrating therefore the database's acceptance and credibility. Latinobarómetro subcontracts reputable polling organizations in each country to gather its information, using a process of open bidding for the selection of subcontractors for every annual survey.

1.2.6 STUDY ROADMAP

This project compares the different social policy approaches that Mexico and Venezuela took after their turn-of-the-millennium political transitions. First, Chapter 2 explains these countries' historical similarities focusing on political and economic aspects, emphasizing the establishment of clientelist systems in both countries and the processes of social mobilization that led to political transitions intended to dismantle clientelism. Chapter 3 describes the political context after the transitions, emphasizing the success or not that both countries had in dismantling clientelism, explaining the different policy approaches that governments in both countries adopted: continuation of neoliberalism in Mexico, and introduction of participatory policies in Venezuela. This chapter also includes qualitative information obtained through interviews of key actors, in order to facilitate a better understanding of the political dynamics described.

Chapter 4 provides a quantitative assessment of the impact that the different policy approaches had in economic and human development, in an attempt to evaluate specifically if the alternative path taken in Venezuela yielded the negative results that economic neoliberal orthodoxy prescribes. Chapter 5 offers a qualitative analysis based on survey data of the impact that the policy approaches adopted in Mexico and Venezuela had on social capital and democratic values. Chapter 6 presents the study's findings on the established hypotheses

regarding clientelism, social capital, and participatory democracy, as well as some additional findings on related aspects of clientelism.

Given that the social and economic context changed significantly in Venezuela after the period of study for this project, marked by Chávez's death, Chapter 7 serves as an epilogue highlighting the main aspects of the political and economic decline that took place in this country and the likely reasons for it. This chapter includes also a discussion of the possible impact that those changes may have for the findings reached in this study.

2. Historical Context: Mexico and Venezuela before their 2000 and 1998 Political Transitions

Mexico and Venezuela share a similar history. Both Latin American countries were founded in their modern form after fighting bloody wars to gain independence from Spain, which had sacked their natural resources and exploited their native populations for almost three centuries. The fate of these two nations changed when in the beginning of the twentieth century it was found that large amounts of oil could be extracted from their soil, attracting the main European and American oil companies. Oil became a blessing and a curse for these countries, as on the one hand they were producing enough wealth for them to develop and industrialize to some extent, and on the other hand the disparities in wealth and political power that already existed increased exponentially, making it more difficult for democracy and a sense of equality to consolidate.

During the twentieth century both Mexico and Venezuela established clientelist systems—based on one party in Mexico and on two in Venezuela—in which the political ruling class bought support from the most important sectors in society through clientelist practices, while restricting participation from actors outside the corporatist structures. This arrangement provided stability while the flow of oil money was substantial, but it collapsed during the oil and debt crises of the 1970s and early 1980s. After this period and in exchange for credit to rescue their economies, both countries were pressured by the international financial institutions to implement the set of structural adjustment reforms known as the Washington Consensus, based on neoliberal economic ideology⁵. The burden of the neoliberal package was placed on the poor

⁵ The policies advocated under the Washington Consensus include privatization of state enterprises, trade liberalization, and inflation-reduction, and they were implemented in most Latin American countries during the 80s

and middle classes, who in both countries organized to resist it and to challenge the political system that championed it.

Due to the clientelist nature of politics in both countries, the significant challenges to the prevailing regime emerged initially outside of party structures, partially through clandestine operations, but mostly through citizen participation in civil society groups and organizations to address issues of human rights and community development. Instances of high governmental repression, such as the killing of students in Mexico in 1968 and Venezuela's 1988 *Caracazo*, or governmental disregard for people's suffering as in Mexico's 1985 earthquake, resulted in large expansions of social organizing that through the years would politicize and make possible the political transitions of 1998 in Venezuela and 2000 in Mexico.

This chapter explains these historical developments, showing how a similar history set the stage for significant political change that took place in both countries at the turn of the millennium. Chapter 3 describes the governments that emerged from these transitions, focusing on the different policy approaches they took to redress social and economic inequality and the clientelistic nature of politics in these countries. Specifically, the PAN governments in Mexico implemented market-based approaches to social policy and continued the clientelist practices of past PRI administrations, while in Venezuela the Chávez administration promoted economic and social initiatives based on participatory democracy principles. Chapter 4 addresses the converging quantitative outcomes while Chapter 5 looks at the divergent qualitative outcomes that resulted from these different approaches.

and 90s through so-called "shock therapy." This approach quickly reduces or eliminates price controls and subsidies, increasing significantly inequality and poverty. For an in-depth historical analysis on neoliberalism see David Harvey's *A Brief History of Neoliberalism* (2007)..

2.1 Mexico's Perfect Dictatorship: The PRI's Clientelist System, Popular Dissatisfaction, and the Road to Electoral Democracy

In the 1930s, President Lázaro Cárdenas created a corporatist system in order to end post-revolutionary political chaos in Mexico and provide a structure to incorporate previously excluded social sectors and classes into the mantle of the political party that would later become the Institutional Revolutionary Party, the PRI. While creating this political structure, Cárdenas also established the economic basis for a successful economic policy based on control over the country's natural resources, particularly oil, and on import-substitution industrialization (ISI⁶).

Once Cárdenas left the presidency, the political structure that was intended to be inclusive became a tool for clientelist control of the peasant, poor and working classes, and for maintaining the party in power. The PRI-government system grew increasingly authoritarian and underwent challenges such as strikes and protests to which it responded through brutal repression. Political opposition became almost non-existent for decades, and for some time most significant political contestation took place through protests and pressures from civil society.

Economic crisis and a weak response to a natural disaster strained the government's legitimacy in the 1980s, creating an opportunity for a significant political opposition to emerge. The PRI resisted this movement, more strongly during the Salinas presidency (1988-1994), but his successor did not have the strength or will to keep the one-party system alive. Organizing from civil society and the growing political opposition led to electoral reforms that enabled the authoritarian system ultimately to evolve. In 2000, the opposition finally won the presidency

⁶ Import-Substitution Industrialization, often referred to as ISI, was a development strategy favored by many developing countries after the Great Depression, with the goal of reducing their dependency upon exported manufactured goods and increasing their ability to develop internal markets, all this through State investment and direction of the economy (Hirschman 1968; Prebisch 1971; Waterbury 1999).

and replaced the PRI, and people hoped that with this change the corporatist and clientelist system would come to an end.

Lázaro Cárdenas and the institutionalization of benevolent clientelism

The main components that defined Mexican politics for more than half of the twentieth century, and that in some ways continue to define it during the first decades of the new millennium⁷, were result of the institutionalization of the Mexican Revolution, crafted during the administration of Lázaro Cárdenas in the 1930s. He successfully stabilized the country from post-revolutionary chaos by setting the basis for social and economic development: nationalizing the oil industry, promoting industrialization, creating the national healthcare and educational system, and revitalizing agricultural production through the land redistribution program known as *ejido*.

In addition, in order to end the politics of assassination that characterized the 1920s, Cárdenas engineered a corporatist⁸ political system in which every significant sector in his view of a modern society would have a direct connection to the government, the engine for development, through official organizations and one new party: the *Partido de la Revolución Mexicana* (Party of the Mexican Revolution) or PRM, which later would become the Partido Revolucionario Institucional (Institutional Revolutionary Party) or PRI, name that it still carries.

⁷ Still in 2014, the main political fight taking place in Mexico revolves around the energy reform passed in July, which opens and restructures the national oil company founded by Cárdenas (Malkin 2013).

⁸ Corporatism—or corporativism—can be defined as “a system of social and political in which major societal groups or interests (labor, business, farmers, military, ethnic, clan or patronage groups, religious bodies) are integrated into the governmental system, often on a monopolistic basis or under state guidance, tutelage, and control, to achieve coordinated national development” (Wiarda 1997, ix). For a thorough analysis of corporatism in developed and undeveloped nations see Wiarda’s *Corporatism and Comparative Politics: the Other Great "Ism"* (1997) and *Authoritarianism and Corporatism in Latin America* (Wiarda 2004) for a Latin American focus. A recent review of corporatism in Mexico can be found in Chapman’s *The Struggle for Mexico : State Corporatism and Popular Opposition* (Chapman 2012). For an analysis of non-urban corporatism in Mexico see Harvey’s “Peasant Strategies and Corporatism in Chiapas” in Foweraker and Craig (Foweraker and Craig 1990).

The PRM was a party with a leftist orientation and a focus on workers and peasants that, while still remaining the same party, displaced the military-elitist nature of its predecessor, the PNR (National Revolutionary Party). The Cárdenas administration promoted the creation of four national organizations representing peasants, workers, the military, and the “popular” sector, which was a catchall of middle class and government employees. The corporatist structure sought to ensure that each sector would have a voice in government, and even the PRM’s political candidacies were allotted to the sectors as opposed to the previous system of popular primaries rigged by the party’s military local bosses (Cockcroft 1983, 123-41; Scott 1964, 129-34). Hence, candidates for the chamber of deputies and the senate were nominated by, and supposed to represent their respective sector.

One of the achievements of the corporatist system was that it effectively took political power that was previously concentrated within the military and spread it throughout society. However, decision-making mechanisms within the sectors and in relation to the party were asymmetrical and therefore prone to be undemocratic. Within each sectorial organization there was political struggle that increasingly prioritized individual political gain as opposed to the wellbeing of the population it was meant to represent, strengthening the clientelist⁹ nature of the relationship between the government, the party, and the sectors.

Pursuing what Alfred Stepan calls “inclusive corporatism” (Stepan 1978), Cárdenas devised the corporatist system as a structure for the inclusion of all sectors in society to benefit from progress and exercise political influence in an organized, if clientelist, fashion, rather than as a tool for societal control. With this structure, the implementation of the state’s

⁹ Clientelism is understood as “a relationship based on political subordination in exchange for material rewards” (Fox 1994b), and its importance in political science is often focused on a “concern for understanding how informal power relations infuse the behavior of formal institutions” (Fox 2012). For a recent analysis of this concept see Hicken’s *Clientelism* (2011). For a discussion on considerations for the study of clientelism see Fox’s “State Power and Clientelism: Eight Propositions for Discussion” (Fox 2012).

modernization strategy, oil nationalization, and creation of a welfare state resulted in significant increases in the quality of life of many Mexicans during this period (Calvert 1969; Weyl and Weyl 1939).

In 1939 Manuel Gómez Morín created the main political challenge to the PRM hegemony in the form of the National Action Party (PAN). This party was formed by a coalition of businessmen, first and second generation Spanish aristocrats residing in Mexico, and the Catholic and political right, who were dismayed at what they saw as Lázaro Cárdenas' openings to communism¹⁰. However, rather than prioritizing reactionary conservative values as other movements in the Mexican right had done before, the PAN focused its platform on individual liberties, both political and economic ones, seeking to appeal to the business sector and non-state-dependent middle class voters who felt left out of the corporatist system (Shirk 2005). These characteristics meant that the party had a hard time building electoral power, as the PRI sectors were able to include most significant voting blocks for a long time. In order to make up for this difference and have some rural support base, the PAN allied for a short period with the activist right-wing *Unión Nacional Sinarquista*, only to realize they could not compete with the PRI in the popular mobilization area. The *sinarquistas* pressed the PAN to become more radicalized and belligerent in the fashion of past right-wing movements such as the *Cristeros*¹¹, but Gómez Morín and the business-friendly side of the party believed there was more to gain by participating in the system as a “loyal” opposition and becoming a recognized political partner (Scott 1964, 182-6).

¹⁰ Gómez Morín's address to the second convention of the party in 1940 provides one of the earliest windows into the PAN's worldview available in English (Jaffary, Osowski, and Porter 2010, 353).

¹¹ *Cristeros* is the name given to those who rebelled against the Mexican government increased separation from the church. The government responded increasing its attack on religious association, and the conflict escalated into what is known as the *Cristero War*, which lasted from 1926 to 1929 and left over 250,000 dead (Ross 2009).

According to Jorge Castañeda (2000), besides the creation of the one large corporatist party and the enshrinement of the “no reelection” rule, Cárdenas also established the precedent for a third element that was critical in giving stability to the Mexican political system for sixty more years: *el dedazo* (the finger tap) or the implicit privilege that presidents had to appoint their successors, each of whom would become therefore the most important figure in the party, and the country. This privilege ensured that all significant political contestation would take place inside the highest levels of the party, allowing groups and individuals to struggle to earn the next spot in the succession line, leaving a strong and unified face to the outside. Once *El Partido* chose its candidate, the electoral-financial-repressive PRI machine began to work in order to crush the opposition. Cárdenas’ *dedazo* of Manuel Ávila Camacho in 1940 and his subsequent election based on heavy electoral manipulation was the first of many in the party’s modern era until Ernesto Zedillo opened the party to primary elections¹² towards the 2000 election.

Increased authoritarianism of the one-party system after the Cárdenas’ presidency

Under the presidency of Ávila Camacho new anti-leftist leaders took power in the corporatist structure. In order to emphasize that he was not as leftist as Cárdenas and to signal a move towards democratization as demanded by the U.S. in the middle of World War II, the president changed the corporatist structure. The first change was removing the military as one of the party sectors, eliminating therefore any resemblance with German, Italian or Russian party structures. The second change consisted of changing the role that the sectors officially played in the party’s decision-making structure, a demand that was also raised by opposition parties and independent labor unions. With this change, the sectorial organizations would in theory relate to

¹² These were the first competitive primary elections within the party in power in Mexico, unlike the rigged façade-like primaries of the PRI’s antecessor PNR.

the government in the same way as any other group in a pluralist society. In practice, the corporate sectors continued to have close but more veiled links to the party, continuing in this way their clientelist relationship with the government. Lastly, in order to highlight the institutionalization the system had supposedly experienced, the PRM changed its name to *Partido Revolucionario Institucional* or PRI, the Party of the Institutional Revolution (Scott 1964, 139-42).

This political system, while corporatist in practice, still allowed for some level of political contestation that was not appreciated by the sectors' leaders, who responded to internal political challenges by strengthening hierarchies and resorting to repression. By the 1950s the corporatist system designed by Lázaro Cárdenas to benefit poor people was turning against them. The Mexican Workers' Confederation (CTM), created to end corruption in labor leadership, became corrupt and hierarchical once Cárdenas' appointee communist Vicente Lombardo Toledano ended his tenure in charge of the CTM in 1941 (Scott 1964). Fidel Velázquez, the ultimate Mexican icon of worker repression and government accommodation, took power at the CTM that year, and remained its president until his death in 1997.

Similarly, the peasant sector was taken over by regional caciques¹³, PRI political bosses who would use repression and the benefits coming from the federal government to rural communities in order to ensure political support. Under a façade of democratic elections, some caciques and their families controlled state-wide political and economic power for decades and in exchange delivered the votes the PRI needed to win in national elections (Falcón 1988; Villarreal 2002). When the delivery of federal benefits was not enough to motivate voters and

¹³ The term "cacique" is used in Mexico for local or regional bosses who have enough political, economic and/or military power to be the real power behind a façade of democratic structures. For a study about this concept and its political implications in Mexico see Villarreal's "Political Competition and Violence in Mexico" (Villarreal 2002). Robert Scott explains the existence and functioning of caciques in pre-revolutionary Mexico (Scott 1964, 102-5), and James Cockcroft describes the role caciques play in the Mexican class structure (Cockcroft 1983, 202-4)

keep social order, these caciques used force through the local police or private militias. In a centralized and highly rural country such as Mexico at the time, the news of killed and disappeared members of the opposition in the countryside rarely made it into the front page of the national papers, permitting widespread impunity. This isolated nature of rural clientelism makes it very hard to eradicate even to the present day. Nonetheless, as Hansen (1971) describes, despite their local power, regional caciques were just a piece of the hierarchical clientelist structure that began at the presidential level, and therefore they were also subject to removal if they did not play correctly their role in that structure.

At the end of World War II U.S. capitalists decided to take advantage of the Mexican industrialization and invested in many of the new industries, doubling U.S. direct investment by the 1950s and quadrupling it by the 1970s. This resulted in increased productivity, but it also affected negatively peasants and artisans whose market for selling goods was rapidly taken over by manufactured products (Cockcroft 1983, 151-2). During the 1950s increasing consumer prices without equivalent wage raises created discontent in the Mexican working class, which was growing rapidly thanks to the implementation of Import-Substitution Industrialization or ISI (La Botz 1992).

The political openings that were created during the institutionalization of the PRI allowed a leftist opposition to grow, especially in the rapidly growing urban areas. Before the 1958 presidential election, railroad worker strikes led by Demetrio Vallejo¹⁴ and Valentín Campa forced the government to allow for union internal elections in order for the PRI to keep its corporatist allies motivated. After the election, the railroad workers' union continued its

¹⁴ First-person accounts of the railroad workers movement and subsequent repression can be found in Spanish in Demetrio Vallejo's books *¡Yo Acuso!* (1974); *Las Luchas Ferrocarrileras que Conmovieron a México* (1967); *Mis Experiencias y Decepciones en el Palacio de Lecumberri* (1970); and *Cartas y Artículos desde la Cárcel: 1960-1970* (1975); and in Valentín Campa's *Mi Testimonio: Experiencias de un Comunista Mexicano* (1978b); and *Memorias De Valentín Campa: 50 Años Con El Movimiento Obrero y Revolucionario* (1978a).

mobilizations demanding wage increases and fringe benefits, and it was joined in solidarity by electric workers, teachers, doctors and students, increasing rapidly the size and length of the strikes, achieving a series of one-hour sympathy shutdowns with 60,000 workers involved by 1959. The mobilization was met by fierce repression from the new government of Adolfo López Mateos, leaving a balance of several workers killed, more than 3,000 fired, and about 500 political prisoners (Hodges 2002; La Botz 1992; Scott 1964; TIME 1959).

Social mobilization continued to take place during the 1960s in isolated ways, but probably the most famous incident of Mexican governmental repression was the killing of students in 1968 just ten days before the inauguration of the first Olympic Games celebrated in a developing country. The student movement began with a street fight between rival high schools that the city's militarized police repressed. Such repression was not uncommon, but on this occasion the students mobilized demanding freedom for political prisoners, adjudication of responsibilities in the repression, abolition of the law that criminalized public meetings, and the dismantling of the *granaderos* unit, the militarized police corps. The student movement grew exponentially, influenced in part by the spirit of mobilization and social revolution that existed in other parts of the world.

Violence from the police side quickly escalated as demonstrations grew and became more diverse. Besides the students, middle-class workers and housewives joined the protests and the movements' demands began to include calls for broader democratization. The PRI and the governing class for decades had governed without negotiating, particularly since the end of the Cárdenas administration. That, and international pressures not to allow communism to gain strength in México or to disrupt the Olympic Games, prompted the government to act swiftly. On October 2nd, the military and a paramilitary group opened fire on a student demonstration in

the Tlatelolco housing complex, leaving at least three hundred dead and over a thousand *disappeared* students. News reports the following day minimized the casualties and blamed them on alleged destabilizing forces who supposedly intended to boycott the games (Poniatowska 1971). *Dos de Octubre* remained for the following decades a reminder both of the masquerade of Mexican democracy, as well as of what was likely to happen to those who dared to challenge it.

As a result of repression, the Mexican left became divided between those who chose a more radical approach similar to the guerrilla movements of Cuba and some Central American countries at the time, and those who opted to fill with grassroots organizing the vacuum left by the government in the areas of social and economic development. In what is known as the Dirty War of the 1970s¹⁵, the Mexican military crushed guerrilla groups, jailed hundreds of political prisoners, and left more than five hundred people missing. The army destroyed entire villages it believed to be the support bases of Lucio Cabañas' guerrilla movement in the state of Guerrero, executing men and boys on the spot, raping women, and torturing and killing prisoners in installations that operated like concentration camps (Bornemann 2007; Cedillo and Herrera Calderón 2012; PGR 2006; Thompson 2006). Such repression reduced the apparent viability of an armed movement in Mexico and helped to increase the number of people who looked at civil and grassroots organizations during the 1970s and early 1980s as a path to improve their livelihoods and towards democratization.

¹⁵ The government of Vicente Fox released the most thorough report about the Mexican Dirty War of the 1970s titled "Informe Histórico a la Sociedad Mexicana 2006" (PGR 2006). A short analysis of this report in English can be found in the New York Times article "Report on Mexican 'Dirty War' Details Abuse by Military" (Thompson 2006).

Economic crisis, popular mobilization, and eroding PRI-government legitimacy

The PRI was generally popular from the 1940s to the 1960s due to Cárdenas' progressive legacy and the economic success of ISI. During that period, it used election fraud only to increase a sense of mass support rather than to actually change an otherwise adverse result, and for this reason such fraud did not have a strong impact on the legitimacy of the regime. However, this started to change slightly in the 1970s and increasingly in the 1980s (Gómez Tagle 1989). The economic downturn of the 1970s also was reflected in dissatisfaction in the political arena, prompting on the one hand, the PRI to open participation to more parties with the electoral reform of 1977¹⁶, while on the other hand increasing its use of what Wise calls “political alchemy” (2003). During those years, the PRI engaged even more in various forms of fraud to increase its vote share including ballot box stuffing, multiple voting, and fabrication of results. (Klesner 2001a, 24). Under the excuse of waging war against foreign communists, vote coercion and intimidation were also very common in rural areas and electoral conflict was significant, affecting the legitimacy of the regime (Gómez Tagle 1987).

The availability of cheap petro-dollar loans in the 1970s was an incentive for Mexico to incur a high debt in order to finance rapid economic growth and to calm social unrest. However, the 1973 oil shock forced the country to devalue its currency by 45 percent. New oil discoveries in 1976 prompted a new economic boom that rested on high external debt and dependency on oil prices. Falling oil prices in the early 1980s made Mexican crude lose half of its value, sending the economy crashing to its worst levels since the great depression and forcing the government to declare an involuntary moratorium on debt payments in August 1982. By

¹⁶ This reform allowed banned parties such as the Communist Party, to compete in elections again. It also created 100 seats in Congress to be allocated by proportional representation in the election, increased participation of opposition parties in electoral organs, and guaranteed media access for all parties (Ackerman 2007b; Middlebrook 1986). For a synthesis of the main electoral reforms in Mexico from 1946 to 1996 see “Appendix 1” in Wuhs’ *Savage Democracy: Institutional Change and Party Development in Mexico* (2008).

1984 the country's external debt amounted to \$76 US billion, most of it acquired in short-term loans with high interest rates that would require payments of about \$10 US billion a year.

Rescue loans were granted by the IMF with strict conditions to implement structural reforms and austerity measures, which resulted in massive layoffs, cuts in subsidies, and a reduction of real disposable income by more than 30 percent by 1988. Poverty spiked as result (Cockcroft 1983; Ross 2009).

The economic crisis combined with the structural adjustment measures demanded by the IMF and the World Bank had the largest impact on Mexicans already living in poverty, on the many who fell from the middle class, and on people living in rural areas. The combination of large numbers of unemployed Mexicans with the high demand for unskilled labor in the U.S under the Reagan boom resulted in an “immigration double whammy” that drove the 1980s wave of Mexican migration to its northern neighbor (Castañeda 1995, 16-8).

The morning of September 19th, 1985, Mexico City was shaken by an 8.5 degree earthquake. Large buildings collapsed mostly close to the downtown area, from the historic Hotel Regis to the Nuevo León high-rise in the iconic Tlatelolco mega-apartment complex, to the headquarters of the private media monopoly Televisa. However, much of the damage also took place in smaller but very old constructions inhabited by poor people in the old quarters of the city. For the first day and a half after the shock, the governmental response was notorious because it was lacking. Emergency units did not show up, the police were absent from the streets allowing looters to operate, and the only rescue operations taking place were being performed by neighbors and family members. After two days, police and military showed up in order to stop people from digging. However, neighbors and family members refused the orders and crossed the police line to keep looking for survivors, many of whom were found in those

critical hours. The government's actions during the following weeks just increased the public's anger, first by rejecting much needed international support and later by receiving as much as \$30 billion in aid and using only a portion of that for reconstruction. This episode represents a breaking point in which many Mexicans felt the PRI cynicism and impunity had reached its limit¹⁷, and realized that they could organize themselves and challenge the until-then unshakable government (Haber 1992; Poniatowska 1995; Teichman 2009, 73; Wuhs 2008, 39).

As a continuation of the response to the earthquake and to the debt crisis that affected the country since the early 1980s, more grassroots organizations were created and some networks of mostly urban popular movements like the National Coordinating Organization of Popular Movements (CONAMUP) gained strength in numbers and organizing capacity (Ross 2009, 306-15). These organizations were able to use the events of 1985 to change the traditional framework of Mexican politics, transforming *victims* into *citizens* and causing the concept of legitimacy to become associated with the movement and not with the government (Tavera-Fernollosa 1999). Their organizing forced the government to build new units of affordable housing in areas of central Mexico City that had been programmed to be transformed into commercial buildings, even though this was a period when the government was implementing austerity measures (Eckstein 1989). Both transformative aspects of this movement would be critical for building the grassroots backbone of the first real political challenge to the PRI in a presidential election in 1988.

In 1987 the PRI's internal group *Corriente Democrática* (Democratic Current) was defeated in its attempt to reform the party by establishing a democratic selection of presidential candidates and a return to the party's traditional nationalist and populist economic platform. The

¹⁷ Ten months after the earthquake Mexico was host of the soccer World Cup, and the president's inaugural speech was shut down by the booing of about 100,000 people who attended the first match in an unprecedented demonstration of defiance to a Mexican president (AP 2012; Barrera 2011)

main members of Corriente resigned from the PRI and nominated Cuauhtémoc Cárdenas—son of the legendary president Lázaro—for president. They looked for other parties to join them and to use their registration to get a spot on the ballot, and they built an alliance with the main but small leftist parties that existed at the time. These included the *Partido Auténtico de la Revolución Mexicana* (Authentic Party of the Mexican Revolution) or PARM, the *Partido del Frente Cardenista de Reconstrucción Nacional* (Party of the Cardenista Front for National Reconstruction) or PFCRN, the *Partido Social Demócrata* (Social Democratic Party) or PSD, the *Partido Popular Socialista* (People’s Socialist Party) or PPS, and the Green Party, and together with the Corriente Democrática members they formed a coalition named *Frente Democrático Nacional* (National Democratic Front) or FDN.

As Domínguez and McCann argue, Mexico has taken a god-like veneration of the president figure to higher levels than other countries have (1996, 2). They also agree that Mexico was not democratic at the time of the 1988 elections. In order to pose a real challenge to this system, it was necessary for many different factors to come together. People were angry due to the economic crisis and the government’s perceived disdain for poor people’s suffering during the earthquake, and now they were also organized. And while some long-time activists were wary of supporting a candidate extracted from the PRI itself, the god-like reputation of Lázaro Cárdenas carried over to his son, making the 1988 election the first time the opposition thought they could actually defeat the hegemonic group in power through the ballot box since Francisco I. Madero defeated the dictator Porfirio Díaz in 1910.

On July 6th, the FDN won 37 out of 40 electoral districts just in Mexico City and many believe Cárdenas would have won the presidency if the electoral computer system had not mysteriously crashed on election night when the FDN was leading the count. During the

impasse and in agreement with De La Madrid, the PRI president proclaimed his candidate's victory without having any results in hand, and the electoral authorities did not refute it despite the fact that the official partial count was showing Cárdenas as winner at that time (Castañeda 2000). President Miguel de la Madrid asked the interior minister not to publicize results for a week, allowing the PRI candidate to claim de facto victory¹⁸. FDN and PAN leaders demanded to count the paper ballots in order to figure out final results, but the PRI and the electoral commission were opposed to that. A week later, the electoral commission granted victory to the PRI candidate Carlos Salinas de Gortari without showing any evidence for it, in what has been perceived as the most significant electoral fraud in Mexican history (Ackerman 2007b, 50-2). One week after the election, official results showed that Salinas de Gortari's victory reached over fifty percent of the electorate, numbers that most likely were manufactured in the district committees where the PRI had absolute majority (Gómez Tagle 1990; Preston and Dillon 2005). Both the FDN and PAN mounted mass demonstrations against the fraud in the weeks after the election (Domínguez and McCann 1996). Manuel Clouthier, the PAN candidate who recognized Cárdenas' victory died in a controversial car accident months after. Cárdenas decided to avoid a possible blood bath if the mobilization continued and escalated, and called his followers to organize politically in order to build the democracy that was lacking in the country (Ross 2009, 315-22).

After the 1988 election, some members of the FDN such as the Green Party, the PARM and the PFCRN, went back to promote their own small parties, in some cases with economic and political support from the Salinas government (Proceso 1994). With the remaining parties of the coalition, social movements and other smaller parties or currents within parties, Cárdenas

¹⁸ Manuel Bartlett, interior minister and elections commissioner in 1988, became an outspoken member of the left twenty years later. For his account of what happen during the 1988 election, see the interview he granted to La Jornada (Becerril 2008).

founded the *Partido de la Revolución Democrática* (Party of the Democratic Revolution) or PRD, becoming the leading leftist party in Mexico until the present day¹⁹.

The PAN was also competitive for the first time at the federal level during the 1988 presidential election when its candidate Manuel J. Clouthier garnered 16.81 percent of the vote according to official results. While the PAN traditionally criticized the PRI's economic nationalism and social populism, it refocused its attacks on that party on the basis of its grip on electoral politics and its corrupt dominance of the political system once president De La Madrid withdrew from the PRI's traditional nationalist populist platform and began to implement structural adjustment policies during the 1980s.

Gómez Morín's belief in the advantages of being a loyal opposition to the PRI were crystalized under the Salinas administration. The president needed the PAN's support in Congress in order to pass his privatizing agenda and in order to improve his democratic credentials after the dubious 1988 election. After Clouthier's death in the car accident in 1988, the PAN's new leaders were more concerned about the implementation of pro-business policies than the political purity of their alliances, and they found in the new market-friendly president an opportunity to advance their economic agenda. As part of this deal, PAN Senators voted with the PRI to burn the 1988 election ballots and with that any evidence of possible fraud. In exchange, the Salinas administration recognized for the first time the PAN's political victories in congress and state governorships. In contrast, the PRD refused to support Salinas, and its members were persecuted politically, resulting in the killing of more than 300 of its leaders during the Salinas' six-year administration²⁰ (Ross 2009, 306-22).

¹⁹ For a deeper description of the origins of the PRD and the complex configuration of leftist parties and movements that came together to form this party see (Bruhn 1997).

²⁰ For an in-depth account of the PRD's early history see Bruhn's *Taking on Goliath : The Emergence of a New Left Party and the Struggle for Democracy in Mexico* (1997).

*The Salinas years: Neoliberalism, strengthening of clientelism,
and increased challenges to the system.*

During the Salinas presidency, the Mexican political system continued to be dominated by the PRI, but PAN and PRD slowly gained more presence both in congress at the national level and in governorships and legislatures at the state level. Social organizations and their networks, such as the Convergence of Civil Organizations for Democracy (Convergencia), played a critical role in this political opening. They successfully mobilized for an electoral reform that created the Federal Electoral Institute (IFE), a new electoral authority intended to be citizen-led and more independent from the government than the previous Federal Electoral Commission.

Electoral reforms were not new in Mexico²¹ though few have lasted as long and been as significant as the ones in the 1990s, which in a lapse of ten years allowed competitiveness to such an extent that the PRI was defeated for the first time in 2000. The 1990 reform mandated a new voter registry and identification system, which was created from scratch for the 1991 election, though it permitted the PRI-government to keep some control through the allocation of a disproportionate number of councilmembers in the institute and having the interior minister acting as IFE president. The 1994 code increased impartiality by removing the voting rights of party representatives within the electoral commission, a clearly partisan configuration that disproportionately favored the PRI. Instead, the code created the figure of Citizen Councilors, who have to be nominated by the President and approved by a two-thirds majority of Congress, giving the opposition a better chance to negotiate for more impartial councilors. This reform allowed the PRD and PAN to have a stronger voice at the IFE board, still controlled by the PRI (Ackerman 2007b, 48-50; Bruhn 1997, 257-9).

²¹ The ten years that the electoral reform of 1996 lasted without modifications has been the longest time since the establishment of Mexico's constitution in 1917 (Ackerman 2007b, 42).

Social organizations also played a fundamental role in making elections more transparent through the deployment of electoral observers in local elections since 1991, documenting various instances and forms of fraud that resulted in stricter laws and reduced the kind of open fraud on election day that was a staple of PRI governments during the previous decades (Reygadas Robles Gil 1998, 299-367).

Another significant instance in which the Mexican civil society affected the democratization of the country during this period²² was the implementation of a 1993 non-binding citizen-led plebiscite seeking to increase pressure for granting Mexico City the power to elect its own Mayor, an executive up until then appointed by the President. This movement began in 1985 when, just a few months after the earthquake and still under pressure from the mismanaged recovery efforts, president De La Madrid conceded that the city's residents' "maturity" indicated conditions to begin discussions about the topic (Cornelius, Eisenstadt, and Hindley 1999, 111). An elected Assembly of Representatives was installed in 1988, but its character was only consultative. Civic groups organized in 1993 the non-binding plebiscite to build public pressure on this issue. With volunteer work and limited resources they distributed flyers in plazas and painted signs in the streets advertising the event, and on plebiscite day they set voting booths in the most populated parts of the country inviting people to participate.

The results of the plebiscite, overwhelmingly favoring election rights for the city's residents, were used by popular organizations, opposition parties and PRI reformists to convince city regent²³ Manuel Camacho Solís to lobby President Salinas for deeper reform. That year, Congress granted Mexico City's Assembly legislative powers and allowed for the city's Mayor

²² According to Fox (1994b), the elimination of authoritarian enclaves is required for democratic consolidation, and therefore a campaign to democratize Mexico City, home of almost one tenth of the population, was crucial in the country's overall democratization process.

²³ Regent was the executive appointed by the president to govern the city, a figure that existed since colonial times.

to be elected through universal suffrage. This change made it possible for Mexico City to choose Cuauhtémoc Cárdenas as its first popularly elected Mayor in 1997, beginning a PRD political hegemony in the capital that continues to the present day (Aguayo Quezada 1995, 158; Cornelius, Eisenstadt, and Hindley 1999, 108-28; Fox 1994b; Mellado Hernández 2001, 71-89; Moctezuma Barragan 1999, 532-3).

As democratic opening slowly advanced it seemed as if the 1994 presidential race could be the first clean and fair election in modern history. However, that year was characterized by a multi-pronged crisis that in some ways resulted in steps back towards authoritarianism rather than democratic consolidation. It all started on January 1st, when the Zapatista Army of National Liberation (EZLN) broke onto the world scene by taking over five municipalities in the state of Chiapas in order to protest against the North American Free Trade Agreement (NAFTA) that became operational that day. The EZLN was formed by indigenous communities in the state of Chiapas who had spent decades suffering discrimination, exploitation and violence from the regional PRI caciques and their *guardias blancas*.²⁴ They began to organize in their communities first in the 1970s as part of liberation theology-inspired activism, and in order to demand respect for their rights they organized a large march from Chiapas to Mexico City for the 500th anniversary of the 1492 European discovery of the Americas. As their march prompted indifference from federal authorities and attacks by local ones, in 1984 a group of community members began training in guerrilla-warfare with the help of some outsiders, among whom was the man who would later be known as Subcomandante Marcos.²⁵ According to the Zapatistas, the

²⁴ Common name given in Mexico to conservative paramilitary groups functioning as *de facto* police force for local caciques' protection of their land and intimidation of people in the opposition or organizing against the establishment. (Raat and Beezley 1986, 172-80)

²⁵ For in-depth descriptions of the EZLN origins and its first public years see Ross' *The War against Oblivion: Zapatista Chronicles, 1994-2000* (2000); Womack's *Rebellion in Chiapas: An Historical Reader* (1999); and Harvey's *The Chiapas Rebellion: The Struggle for Land and Democracy* (1998). A collection of EZLN's spokesperson communiqués can be found in Subcomandante Marcos' *Our Word Is Our Weapon: Selected Writings*

reforms required by NAFTA dismantling the ejido and other forms of collective land ownership represented a fatal blow to the oppressed indigenous communities they represented²⁶ and left them with no other option than rebelling against the federal government and demanding justice, democracy and dignity.

The overwhelming military response that quickly took place, including the bombardment of civilians and the bloody scenes that circulated in the national press during the first week of January, prompted a demonstration of 150,000 people on January 12th demanding a halt to military action and a call for the establishment of a dialogue between the government and the EZLN in order to attend to the latter's legitimate demands. Civil organizations created two main NGO networks in support of peace and dialogue: Coordination for Peace in Chiapas (CONPAZ) and Civil Platform for Peace (ESPAZ). Together, these networks mobilized material support and observers into the indigenous communities that still were under attack, implemented a human chain—called the “peace belt”—around the property where the dialogue took place, and implemented a national campaign for peace and to inform the public about the legitimacy of the EZLN (Reygadas Robles Gil 1998, 435-70). At the same time, CONPAZ, ESPAZ, and the support received from national and international civil society prompted the EZLN to work with them towards a peaceful movement seeking to improve the conditions of indigenous communities and promote democracy in Mexico.

(2001) and *Shadows of Tender Fury: The Letters and Communiqués of Subcomandante Marcos and the Zapatista Army of National Liberation* (1995). For an account of what happened with the EZLN after it moved out of the public scene and focused on building autonomous governments see Ross' *¡Zapatistas! : Making Another World Possible : Chronicles of Resistance, 2000-2006* (2006)

²⁶ While it is difficult to assert absolute certainty about its causes, migration from Mexico to the U.S. spiked during the mid-1990s, the years when the dismantling of the ejido took place and many agricultural subsidies were eliminated. Such an increase almost doubled the wave of Mexican migration to the United States that initiated with the 1980s economic crisis, amounting together to almost 9 million of the estimated 11.5 million undocumented immigrants that currently live in the U.S. (Hoefler, Rytina, and Baker 2012; Passel 2005; Passel, Cohn, and Gonzalez-Barrera 2012; Wise 1998).

The hopes that the dialogue between the EZLN and the federal government would bring stability back to the country and continue the move towards democratic opening were shattered when Luis Donaldo Colosio, the PRI's presidential candidate, was assassinated during a campaign event on March 23rd. The government prosecutor stated first that the assassination had been result of an organized conspiracy, but after a series of forced resignations and political moves, the prosecutor reversed himself and proclaimed that Colosio had been killed by a sole and unassisted assassin, a version that did not convince the public (Domínguez and McCann 1996, 183). On June 14th banker Alfredo Harp Helú²⁷ was kidnapped allegedly by Guerrero state guerrilla members, and was liberated after his family paid a \$30 million ransom (Golden 1994). In addition, the 1993 public assassination of Cardinal Juan Jesús Posadas at the hands of drug cartels, an incident that according to official investigations was an accident, remained unsolved²⁸.

All these events resulted in a state of paranoia that set the stage for political continuity in the upcoming election, a phenomenon that is often referred to as “fear vote” (*voto del miedo*). According to Domínguez and McCann's exit poll analysis (1996), the best explanation for how Mexicans voted during the 1980s and early 1990s played down common factors such as class and ideological allegiances, and emphasized the fear that a new non-PRI government would be incapable of keeping the “peace and prosperity” that the party in power had supposedly achieved for decades. That is, for voters the fear of the possible chaos that would emerge if the PRI were to lose an election was stronger than the hope of what could be improved even for those critical

²⁷ Alfredo Harp Helú is cousin of Mexican billionaire Carlos Slim, the wealthiest man on earth for fourth year in a row in 2013, according to Forbes. Harp Helú and Slim shared a winning lottery ticket in their youth which helped them to begin accumulating their fortunes (Ross 2009, 356).

²⁸ For a description of the alternative hypothesis about Cardinal Posadas assassination, including a possible link between Posadas, the Salinas' brothers, and the drug cartels, see *Proceso's* special report twenty years after the incident (Covarrubias and Reza 2013).

of the party in power. This is particularly interesting considering that under Salinas inequality increased while the economy only grew at a peak 2.5 percent in 1990, and dropped to -1.2 percent in 1993, showing signs of the coming economic recession by 1994. This was partially possible because the PRI successfully campaigned on a platform of continuing Salinas' Mexican economic miracle²⁹. And in terms of social peace, many undecided voters ended up believing that the PRI would avoid further social chaos (Foweraker and Landman 1995), despite the fact that much of the political violence in the year before the election was PRI-related.

Another significant factor that secured the 1994 election for the PRI was the electoral use of resources destined towards social programs. US\$ 3 billion in social assistance were distributed in the two months before the election by the government's *Programa Nacional de Solidaridad* (Solidarity National Program) or PRONASOL (Corrales 2003; Dresser 1991; Ross 2009, 345-56). This was a de facto populist machine designed to enhance the party's electoral chances, a concern to which Salinas had dedicated his doctoral research and some writings in the early 1980s. From his point of view, the government's public investment was not adequately recognized by recipients in ways that produced "support for the system," something particularly necessary as electoral reforms were increasingly allowing other parties to compete (Salinas de Gortari 1982). His main recommendations consisted of: First, deploying a strong public relations campaign that would publicize social programs to the point of becoming a brand in themselves; and second, developing an army of *promotores locales* that would act as the face of the government at the local level, ensuring that beneficiaries would make the connections between the program, the government, and the party. These ideas would become Salinas' policy

²⁹ For further analyses on the economic "Mexican miracle" during the Salinas presidency see Golob's "Making Possible What Is Necessary: Pedro Aspe, the Salinas' Team, and the Next Mexican 'Miracle'" (1994); and Edwards' "The Mexican Peso Crisis: How Much Did We Know? When Did We Know It?" (1998). Salinas' claims of Mexico entering the "first world" are analyzed in Dawson's *First World Dreams: Mexico since 1989* (2006).

years later and would define the modern way in which clientelism operates in Mexico since the early 1990s³⁰, when the dismantlement of the PRI's traditional sectors weakened traditional corporatist politics³¹. PRONASOL became the flagship of the Salinas "third way" of government, one that allegedly promoted neoliberalism while also caring for those suffering its consequences³², particularly in rural areas that were the most reliable PRI voting blocs (Cornelius, Craig, and Fox 1994; Domínguez and McCann 1996, 135).

Most political observers assumed that after Colosio's death the next in line would be Manuel Camacho Solís, Mexico City's regent who was a long-time friend of Salinas and whose popularity increased due to his role in signing the peace treaty with the EZLN. Camacho himself expected to be the original PRI candidate anointed by the *dedazo*, and now it was clear that his turn was next. However, Salinas chose Ernesto Zedillo Ponce de León, a virtually unknown director of the budgeting agency, as his successor with the clear message that unconditional allegiance to the president was the key factor in his selection. The key elements for a PRI victory were already in place, namely the manipulation of social programs and the "fear vote" campaign, and with more efficiency than excitement, the PRI took Zedillo to victory.

The PRI-government system crumbles: setting the stage for the political transition of 2000

Days after Zedillo's inauguration, a new economic crisis shattered the perception of economic 'miracle' that Salinas had built, bringing back dissatisfaction with a PRI government.

³⁰ When questioned about incidents of federal social programs being used for electoral purposes, President Vicente Fox's director of social development Rogelio Gómez Hermosillo blamed local promoters and the old PRI culture for not following the program's intended political neutrality (Álvarez Fernández 2006).

³¹ Cornelius and Craig explain the history of Mexico's corporatist structure and its dismantlement by Salinas in *The Mexican Political System in Transition* (1991).

³² Salinas explained his government's approach as a "third way" that departed from what he presented as savage capitalism and failed socialism, and took the market-based economic approach of the former combined with the concern for the poor of the latter (Soedeberg 2001). In 2000, at the suggestion from Jorge Castañeda, Vicente Fox would use the same concept to describe his own approach (Berman 2000).

Jorge Castañeda points out that such an economic catastrophe should not have been a surprise for anyone, particularly in the U.S., as the Salinas economic miracle had been artificially kept in place during the previous years with infusions of American private and public funds in order first to “sell NAFTA to a reluctant Congress”, and second to avoid a peso devaluation before both the Mexican and U.S. elections of 1994. As Castañeda (Castañeda 1995, 3-6, 32-78) argues, Salinas wanted to have *perestroika* but without having *glasnost*,³³ and in the end Mexico ended up with neither. The old-PRI corrupt and authoritarian system that was overlooked in order to facilitate the imposition on the Mexican public of the economic reforms demanded by the Washington Consensus was also the system that, with its lack of checks and balances, allowed for an economic mirage to be built, only to fall in pieces in December of 1994.

The new president responded to the crisis by diverting public attention, issuing arrest orders for all EZLN members, and directing a military offensive on Zapatista communities. This move alienated a large portion of Mexicans who preferred a peaceful solution to the conflict and reinforced Zedillo’s image of weakness, because no military victory was achieved and in the end he had to backtrack and offer amnesty to the rebels (Golden 1995). Despite this offer, Zedillo continued until the end of his administration a low-intensity war of attrition towards these communities through the use of PRI-sympathizing paramilitary groups, whose most famous incident was the 1997 massacre of 45 mostly women and children attending a religious prayer meeting in the village of Acteal, Chiapas (Aird 2000; Castillo 2001).

Social discontent due to the economic crisis and electoral fraud in the 1995 state elections, an increased balance between the PRI and the opposition in congress, and pressure by civil society actors resulted in the electoral reform of 1996 that made the IFE one of the strongest

³³ In reference to the economic—*perestroika*—and political—*glasnost*—liberalization reforms that took place in the former Soviet Union after the fall of the Berlin wall.

and most independent electoral institutions in the world at the time. One of the reform's catalysts was the report produced by Alianza Cívica after the 1994 election based on the work of its more than ten thousand observers. It identified a large number of irregularities and raised doubts about the quality of the election, effectively challenging the perception of a pristine election advanced by Salinas and showing that there were still significant issues to improve (Aguayo Quezada 2011; Alianza Cívica 1994a, 1994b; Fox 1996).

The 1996 reform was the first electoral reform negotiated by all significant political actors, which contrasts with the reform of 1990 that was mostly pushed by the PRI with help of the PAN elites, and the 1994 reform negotiated only by the PRI and the PAN. The negotiation included all the political parties and the President, who focused more on his legacy than on the PRI's desire to maintain control of the system. This reform finally removed from the institute all representation from Congress and the federal government and gave full control to the Citizen Councilmembers, who still had to be ratified by Congress but who represented more accurately the country's party plurality. Other significant changes were the creation of an Electoral Federal Tribunal (also known as TRIFE), and increased party access to media and public funds while also curbing disproportionate private campaign financing (Ackerman 2007b, 45-50).

The 1996 reform also allowed Mexico City to elect its Mayor for the first time. In 1997 Cuauhtémoc Cárdenas became Mexico City's first elected Mayor, and since then the PRD has held this office and a super majority of the City Council, effectively granting the left the opportunity to continually govern over one tenth of the Mexican population.

Another important policy change that took place during the Zedillo administration was the dismantlement of Salinas' antipoverty Solidaridad program and the creation instead of the conditional cash-transfer (CCT) program *Programa de Educación, Salud y Alimentación*

(Health, Education and Food Program) or PROGRESA. The significance of this change consists in the design of the programs themselves, which theoretically move from a discretionary model built to make clientelism easy as in the case of PRONASOL, to one that limits clientelism by micro-targeting populations most in need as with PROGRESA.

Following the 1994-1995 economic crisis there was pressure on the Zedillo administration to reduce expenses. In addition, the Zapatista uprising in 1994 had highlighted the failure of PRONASOL and the critical need that still existed in rural areas. The president eliminated PRONASOL, and in its place his Deputy Budget Minister proposed a conditional cash transfer program (CCT), arguing that this would be less prone to be used for political manipulation and that it would be most likely to reach the poorest independently of the party governing them locally. Zedillo bailed-out bankrupt PRI governors in exchange for implementing this new CCT program, called PROGRESA. . Moreover, in 1997 the PRI lost its majority in Congress for the first time in history, and as a bargaining chip for legislative compromise with the opposition, PRI congress members promised the expansion of PROGRESA, which allegedly would curb the president's ability to use federal assistance funds for electoral manipulation. (Diaz-Cayeros, Estévez, and Magaloni 2012, 31-2).

PROGRESA consisted of three elements: a cash transfer, intended for the purchase of food; a scholarship, to facilitate children's continuing attending school; and nutritional supplements provided at the government's local health clinics. These incentives were conditioned upon school attendance and doctor visits. Beneficiaries were targeted based on geographically based marginality indexes and micro-census based household characteristics. The program began serving 300,000 households. PROGRESA's basic concept was also implemented in the new program PROCAMPO, which substituted the previous strategy of

providing subsidies and price supports for basic grains with conditional cash payments directly paid to agricultural workers (Diaz-Cayeros, Estévez, and Magaloni 2012, 165-82).

Despite the new anti-poverty program's design claiming to eliminate clientelism, analysts differ over the degree to which this goal was achieved. Rocha, for example finds "a political bias present in Progresa against the PAN" (2001, 533), while Lucissano and Macdonald see that flaws in program design and implementation result in the emergence of semi-clientelism (Luccisano and Macdonald 2012). And while others identify a clear correlation between program beneficiaries' vote and incumbent party, they are willing to assume that the fear of losing benefits is not expressed by the party operatives in charge of the program and, therefore, it does not imply a clientelist relationship (Diaz-Cayeros, Estévez, and Magaloni 2012).

The 2000 Political Transition: Getting rid of the PRI, and hoping for the best

The intermittent political openings achieved during the 1990s acted as a pressure valve that allowed the government and its supporters to claim that Mexico was democratic, that the political parties were representative of different policy preferences, and that competitive elections were a plausible mechanism to change paths if voters wanted to do so. However, the majority of the Mexican electorate did not realize that, since the beginning of the Salinas administration, PAN and PRI not only had similar *laissez-faire* economic ideology, but that they were already collaborating together to implement it (Dresser 2001, 6). By the time the three major parties were contending for the presidency in the 2000 election, most dissatisfied voters were less concerned about the candidate's policy proposals than about finding out who would be able to finally beat the PRI and end this party's seventy year-old hegemony (Domínguez and Lawson 2004).

Voting preferences were more evenly split among the three major political forces in 2000 than ever before, with a majority of voters expressing very early their intention to have a party other than the PRI winning the presidency that year (Domínguez and Lawson 2004). One reason for this is that, despite the limited political openings that took place during the previous decade, for some Mexico did not become a fully democratic country until after the 2000 election³⁴.

Civil society organizations had more ambitious goals for the 2000 election than simply avoiding electoral fraud or even changing the party in power. They realized that more important than the name of the new president was the agenda he would implement. Various civil society networks representing different political perspectives but sharing a common interest in furthering democracy formed a coalition named *Poder Ciudadano* (Citizen Power). The coalition's national coordinating committee was formed by internationally renowned networks such as Alianza Cívica, Causa Ciudadana (Citizen Cause), Convergencia, *Foro de Apoyo Mutuo* (Mutual Support Forum) or FAM, *Movimiento Ciudadano por la Democracia* (Citizen Movement for Democracy) or MCD, the Human Rights Network "All Rights for Everyone", and the main anti-NAFTA network *Red Mexicana de Acción Frente al Libre Comercio* (Mexican Network for Action on Free Trade) or RMALC.

Poder Ciudadano organized a consultation process that included over five hundred civil society organizations representing diverse sectors of society who participated in one of twelve regional conferences that took place in the country's major cities. From the conference's input and deliberation the coordinating committee drafted Poder Ciudadano's "Civil Society's National Agenda," calling for specific changes in economic policy, recognition of indigenous

³⁴ Jorge Domínguez's book series reflects this perception about Mexico's democratic evolution. He titles his 1996 work "Democratizing Mexico" (Domínguez and Lowenthal 1996) and his 2004 analysis of the 2000 election "Mexico's pivotal democratic election" (Domínguez and Lawson 2004). The 2000 Election was the first democratic contest in a century according to Krauze's article "Furthering Democracy in Mexico" (2006).

rights³⁵, human rights and democratic reform. In an unprecedented achievement for Mexican civil society, all presidential candidates committed themselves to implementing the agenda's demands³⁶. Some leaders of this coalition would later become part of the PRD's Mexico City government and the Fox administration (Acción Ciudadana por la Democracia y por la Vida; Butcher 2002, 4-5; Castro Soto 2000; Edmonds-Poli and Shirk 2012, 176; Poder Ciudadano 1999).

According to Domínguez (2004), social cleavages do not explain the 2000 election. Probably the main factor that influenced its results was the campaign and communications work performed by the Fox team, which on the one hand intensely attacked the PRI as a paradigm of corruption and inefficiency (Moreno 2004), and on the other hand raised issues and images framing the concept of *change* that appealed to independent voters (Magaloni and Poiré 2004). However, besides the idea of *change*, the newly invented concept of *useful vote* played a critical role in making it possible for PAN's Vicente Fox to tilt the more general anti-PRI vote to his side and win the presidency in 2000. The *useful vote* idea was coined by Jorge Castañeda and Adolfo Aguilar Zinser, both former Cárdenas speechwriters and longtime members of the left. They defected to Fox's camp under the argument that more important than electing somebody from the left was to finally achieve democracy in Mexico by breaking the PRI's stronghold on electoral politics. According to them, those who wanted change should not waste their vote by casting it for the PRD, but they should instead make their vote a useful one by choosing Fox, the only candidate they claimed had a real chance to win the election against the PRI (Bruhn 2004, 133-42; D.P. 2000; Dresser 2001, 18-21; Ross 2009, 397). Just as Castañeda and Aguilar Zinser—

³⁵ The main demand in indigenous rights was for the government's implementation of the San Andrés Larráinzar accords granting autonomy to indigenous communities, which were signed during the first round of negotiations between the Salinas administration and the EZLN and afterward dismissed during the Zedillo administration.

³⁶ A detailed list in Spanish of Poder Ciudadano's demands, including changes in the document that would-be President Fox signed, can be read in "Poder Ciudadano y las Elecciones" (Castro Soto 2000).

both of whom earned prominent positions in President Fox's cabinet—many other leftist politicians, intellectuals and members of the civil society withdrew their support from Cárdenas and called upon leftist voters to join them. In the end, Fox's Alliance for Change received a total of 42.52 percent of the votes, over 6 percent higher than the PRI candidate's 36.11 percent, and significantly far from the PRD which only received 16.64 percent of the total vote. It is estimated that between 11 and 37 percent of Fox's votes were achieved through this strategy, effectively making it the decisive factor in the election (Bruhn; Pastrana 2004; Schatz and Gutierrez-Rexach 2002).

The fact that a party other than the PRI won the 2000 election does not mean that this was a perfectly clean election, and there were significant irregularities. For example, it was documented that the PRI gave gifts to about 15 percent of the electorate hoping to sway their vote (Cornelius 2004, 53), but this was not enough to outweigh the PAN vote. In addition, after the election, the PAC *Amigos de Fox* was fined US\$30 million for laundering foreign money towards his campaign. Moreover, the PRI had to pay US\$100 million for exceeding campaign limits and diverting US\$ 45 million from PEMEX workers' pension funds towards the campaign, in what is known in Mexico as the *Pemexgate* affair (Ackerman 2007b, 107-10).

Conclusion on the Development and Collapse of the PRI system in Mexico

In the 1930s President Lázaro Cárdenas created a corporatist system to support the party that would become the PRI. This system stabilized the country politically and set the foundations for social and economic development during the following decades. With the passing of the years, that corporatist structure became a system in which, while a political elite dominated the

country, it portrayed itself as if most people were part of a sector connected to power and therefore as an inclusive system.

This condition resulted in many instances of dissent, which often ended in repression intended to reflect the political elite's strength. Such repression weakened the political opposition during the 1970s. However, civil society's response to the 1985 earthquake in Mexico City, the economic crises of the 1980s and 1990s, and the dismantlement of the corporatist system through the implementation of neoliberal reforms, created the opening for organized civil society to increasingly push for democratic reform.

During the 1990s, the electoral system gradually opened and allowed for more contestation, and small but significant victories for the opposition to both the left and right of the party in power. The weakening of the party-government system finally reached a breaking point in the 2000 presidential election. Based on a strategy that coalesced anti-PRI sentiment more than pro-PAN support, Vicente Fox became the first non-PRI president elected in post-revolutionary Mexico.

Chapter 3 describes the extent to which the 12 years of post-PRI PAN presidencies were able to fulfill the electorate's expectations and to dismantle the clientelist system built in the 1930s.

2.2 Venezuela's *Partidocracia*: The *Punto Fijo* Pact's Clientelist System, Popular Dissatisfaction, and the Road to Deepening Democracy

The historical preconditions that explain Venezuela's politics at the end of the twentieth century and the election of Hugo Chávez are rooted in an almost century-long history of domestic political contention framed through dependency on oil, and an international environment in which the world's economic powers constantly pressured the government in order to get a better deal in the exploitation and trade of this strategic natural resource. Economically, Venezuela attempted to use its oil revenues to industrialize the country under the strategy of import-substitution industrialization (ISI³⁷), but the debt crisis of the 1970s and pressure from international financial institutions moved it to liberalize its economy and adopt the Washington Consensus in the 1980s.

Politically, through 1958 the country endured more than half of a century of almost uninterrupted authoritarian governments, after which civilian political leaders established a clientelist political arrangement that some have lauded as an 'exceptional democracy' (Ellner 2008; Ellner and Tinker Salas 2007). Nonetheless, the combination of these economic and political conditions resulted in two decades of rising expectations followed by two decades of increasing economic and political disappointment, which created the political conditions for the election of an outsider like Hugo Chávez, under the promise of bringing both systems, political and economic, to an end (Wilpert 2007, 9-14).

³⁷ See fn. 2 in Section 4.1.

Authoritarian governance, international influence, and the oil boom

Before WWI, the U.S. and Britain began converting their naval fleets from coal to oil burners. Besides strengthening their navies, the increased use of oil allowed these countries to fuel trucks and autos, and make TNT, playing a significant military role for the first time in history (DeNovo 1956). At the same time, the significance of the use of oil was mirrored in other areas of industry the same time. Merchant fleets and railways also began to switch to oil engines. For example, in 1924, 62 percent of U.S. cargo was shipped using oil as locomotive fuel, in contrast to only 15 percent in 1914 (American Petroleum Institute 1937).

Until the early 1900s, Venezuela had an agriculture-based economy, mostly focused on coffee production, until oil became its main export in the early twentieth century³⁸. The country's first significant oil wells were drilled in the 1910s, when strongman Juan Vicente Gómez, who ruled with an iron hand from 1908 to 1935, granted the first oil concessions through his friends to European and American companies. These companies actively increased their search for contracts in Venezuela after some of the first wells showed the country's potential oil abundance. Several other fields were discovered during that decade, but the outbreak of World War I slowed exploration until 1917. After this period large-scale oil development took place, particularly after the opening of the famous Los Barrosos well in 1922, the first gusher producing 100,000 barrels a day compared to the 2,000 barrels of the fields developed until then (Coronel 1983, 5-8; Prieto Soto 1962). Rodríguez and Gomolin (2009) argue that it is the Gómez authoritarian regime's development of a centralized state and of a professionalized military that protected the country from the resource-conflict trap, namely high levels of social conflict and

³⁸ For more on the decline in agriculture in Venezuela during the early twentieth century and the peasant movement that resulted from that see John D. Powell's *Political Mobilization of the Venezuelan Peasant* (1971). For an early warning on the danger of withdrawing from agricultural production and focusing primarily on oil exploitation in Venezuela see Adriani's "La Crisis, los Cambios y Nosotros" (1931).

disorder as result of competition over sources of natural wealth, characteristic in other resource-abundant countries³⁹.

From 1919 to 1936 the government only received seven percent of the oil profits, and most of that money was used by Gómez to support his loyal army, build infrastructure mostly in his home state of Táchira, and for his personal use (Blank 1984a, 65-6; 1984b). This new centralized power allowed Gómez to end the heritage of political and regional conflict prevalent in the country during the nineteenth century (Gilmore 1964). At the same time, the traditional political parties of the previous century, Liberal and Conservative, also disappeared, as any form of political organization was perceived as suspicious by the regime (Arellano Moreno 1967; Velázquez 1973).

It is during this period that Venezuela began to negotiate its interest for larger shares of the nascent industry with the interests of the oil companies and their countries of origin, and to reflect such negotiations into law (España and Manzano 2003). Gómez did not engage the oil companies in conflictive terms. Nonetheless, his government passed seven Hydrocarbons and Mining Laws between 1918 and 1936. Those laws resulted in little concrete variation, but they reflect an increasingly constant negotiation between the three oil companies exploiting Venezuelan oil and the government. By the mid-1930s, Creole Petroleum⁴⁰ had concessions for 50 percent of Venezuelan oil exploitation, Royal Dutch Shell for 35 percent, and Mene Grande—Gulf Oil Co. for 15 percent, and during those years they were able to negotiate with the government increased oil exploration in exchange for no more than 15 percent of the revenues. A new law in 1938 established that the State could develop its own oil exploration activities. In

³⁹ In-depth analysis of resource-abundant conflict in oil-rich states, including Venezuela, can be found in Karl's *The Paradox of Plenty* (Karl 1997), and "Oil-Led Development: Social, Political, and Economic Consequences" (Karl 2007).

⁴⁰ Creole Petroleum was a subsidiary of Standard Oil of New Jersey (S.O.), today's Esso, or ExxonMobil in the United States. <http://fuels.esso.com/>

1939, a Trade Agreement of Reciprocity allowed Venezuela to sell oil to the United States in exchange for lifting trade barriers to the North American nation's products. This agreement would later be denounced by the Pérez Jiménez and Rafael Caldera administrations as critical in keeping Venezuela in a state of economic dependency (Giuseepe Avalo 2010).

The early oil boom also resulted in important social and economic changes. While more than two-thirds of the population still worked in agriculture in Venezuela at the time, coffee production became the country's second export in 1930, when oil production reached 135 million barrels a year. Increasingly, oil-related economic activity resulted in a dramatic reduction in agricultural production, weakening the landowner elite. In addition, most of the economic and political power became centralized in the government, which was in charge of regulating oil production. This situation increased inequality and concentrated economic development in the northern part of the country. It also resulted in rapid urbanization, rural migration, industrial pollution, growth of shantytowns and an increase of prostitution, gambling, and drinking near the oil fields. At the same time, nonetheless, the political power of a rising middle class was growing, as well as that of the nascent labor movement (Coronel 1983, 10-1).

During this period resentment grew towards foreigners, particularly Americans, who were seen as exploiting the country's wealth while workers and peasants live in misery, and as accomplices of the authoritarian regime. To some extent, the development of these sentiments, magnified in popular culture, were the seeds of the popular attitude favoring nationalization, which would become reality in 1974 (Coronel 1983, 10-2; Tinker Salas 2009).

The increase of racism and xenophobia caused by the expansion of the oil industry was not exclusively focused on the American and European employees of the foreign oil companies.

Corporate and political interests expanded the labor pool by promoting immigration, in order to increase competition and bring down wages. Laborers arrived in Venezuela from China, Mexico and the West Indies, all of whom were subject to racism and xenophobia. Particularly, immigrants of African descent from Trinidad “alarmed the élites and middle class, [raising] concerns about Venezuela’s own population of African heritage” (Tinker Salas 2009, vii-viii,107-41).

Gómez “feared Yankee imperialism and the Big Stick,” which he saw as already having taken over British domination in the western hemisphere (Liss 1978, 63). Therefore, in order to avoid conflict, he preferred to deal with U.S. companies rather than with European ones. This explains the rapid increase and domination of American companies of Venezuela’s oil production, in contrast to European ones (Coronel 1983, 9). The United States also was interested in having a good relationship with Venezuela in order to avoid expropriation as had happened in Mexico in 1938. For that reason, there were significant increases in U.S. oil infrastructure investment and little resistance to the limited increase in demands from the Venezuelan government (Liss 1978, 103-4).

In addition, in order to secure dominance of the market and depend less on separate arrangements with different countries, the oil companies that controlled most of the world’s oil had secretly developed a cartel in 1928, through an agreement known as the Achnacarry Agreement⁴¹. Known as the ‘Seven Sisters’, British Petroleum, Royal Dutch Shell, and five U.S. companies were able to control prices and distribution to the extent that their profits were double or triple those of other industries. This cartel had control over 87 percent of oil production in 1953, and over 70 percent by 1972 (Alhajji and Huettner 2000; Blair 1978).

⁴¹ The agreement gets its name from the Scottish private estate and castle where it was signed.

After Gómez's death in 1935, the authoritarian regime continued for ten more years under the López Contreras and Medina Angarita administrations. General Eleazar López Contreras, Gomez's son-in-law and Minister of War, governed until 1941(Liss 1978, 101). Under López Contreras, the level of repression was not as severe as during the Gómez years, and this period is characterized by the beginnings of a political opening. According to Levine (1978, 86-7), it was actually Gómez's dismantlement of traditional parties and oligarchic forms of organization that opened the terrain for "a massive expansion of political organization once the Gómez regime passed the scene." The pressure exercised by the new worker, peasant, and student movements began a reversal of Gomez's authoritarian legacy. Nonetheless, López Contreras still governed on behalf of Venezuela's small traditional oligarchy, but with the real power of increasing oil revenues. Among López Contreras' significant political openings are: amnesty for political prisoners; reopening of the national university; and reestablishment of freedom of the press. However, despite these actions, the State's main features were still authoritarian. López Contreras' regime moved to dissolve the newly formed political groups and to repress the incipient trade unions, forcing most of these into exile, prison, or into an underground struggle.

The López Contreras administration ended in 1941 and Congress appointed military leader Isafías Medina Angarita as president. Under Medina Angarita the ruling elite continued his predecessor's political opening in an attempt to accommodate growing popular demands. In addition, the regime was also trying to appease U.S. pressures for democratic reform, in the context of President Roosevelt's focus on the Four Freedoms⁴² during World War II (Liss 1978,

⁴² On January 6, 1941, President Franklin D. Roosevelt presented a speech to Congress in which he defined what he called the Four Freedoms as the ideological basis to engage in World War II. The four freedoms outlined by the president are: 1) Freedom of speech and expression; 2) Freedom to worship God in his own way; 3) Freedom from want; and 4) Freedom from fear (United States 1942).

122-31). Such reforms included nominally granting women the right to vote and allowing the registration for all political parties, among them reformist *Acción Democrática* (Democratic Action) or AD, which would play a significant role in the political events of the following decades⁴³. Also during this period Medina Angarita's government began a limited agrarian reform and established a petroleum law that increased Venezuela's control over oil production (Tugwell 1975, 18-9).

The Hydrocarbons Law of 1943 reset all current contracts on tougher fiscal terms, increasing taxes to 16.66 percent, in line with what oil companies paid in the U.S. at the time; established that oil companies had to share up to fifty percent of their revenues with the country, though this provision was not fully implemented; and determined that new contracts would last forty years, after which all the oil companies' assets in Venezuela would be controlled by the state (Giuseepe Avalo 2010, 18-23; Manzano and Monaldi 2010, 409-28). According to Blank (1984a, 66), Medina Angarita also continued López Contreras' initial effort to reinvest part of the oil revenues into diversifying the Venezuelan economy, a strategy known in Venezuela as *sembrar el petróleo*, or "sowing the oil." This concept was originally advanced in 1936 by Arturo Uslar-Pietri, a famous Venezuelan novelist, diplomat and politician, in an article in the magazine *Ahora* (Prashad 2007, 176; Uslar Pietri 1936).

Created in 1941, the AD party attracted groups that had recently mobilized but were fragmented until then, such as workers, middle class professionals and students. Levine (1978, 88-9) suggests that in this way, AD created the first comprehensive national party structure in Venezuela, "a permanent organization, existing at all levels and integrating many groups into the party structure," a model that has been followed by the country's major parties since then.

⁴³ For in-depth analysis of AD's first decades of history, see Martz's *Acción Democrática: Evolution of a Modern Political Party in Venezuela* (1966), and Levine's *Conflict and Political Change in Venezuela* (1973).

However, while the party was able in a few years to organize a large number of people, particularly through the mobilization of peasant and industrial unions, the spaces for significant political participation remained restricted.

The Trienio Adeco, Venezuela's first democratic experience

For AD, the political opening that took place after the death of Gómez was not deep or rapid enough. For this reason, a group of young *adeco* (AD member) leaders, including Rómulo Betancourt, Raúl Leoni, Juan Pablo Pérez Alfonso and others, accepted the invitation to join Marcos Pérez Jiménez and other young military officers in a reformist coup⁴⁴ that deposed Medina Angarita in October 1945. A provisional revolutionary government formed by four AD members, two military officers and one independent civilian took control of government (Betancourt 1979a; Levine 1978).

In the three-year period that is known as the *Trienio Adeco*, AD leaders ruled Venezuela from 1945 to 1948. Appointed by the military junta, Rómulo Betancourt led government until elections were organized in 1947. Similar to what Lázaro Cárdenas did in Mexico, AD created a Confederation of Venezuelan Workers, which incorporated workers and peasants. This coalition made possible the victory of AD's Rómulo Gallegos in 1947 in the first competitive election in Venezuelan history. The other contenders in that election were the newly formed *Comité de Organización Política Electoral Independiente* or COPEI (a Christian Democratic Party); and *Unión Republicana Democrática* (URD), which represented the moderate left (Levine 1978, 89).

During the three years of the Trienio, and with the help of oil income that increased fourfold between 1943 and 1947, the AD government implemented an ambitious program of

⁴⁴ The rebellion against Medina Angarita is also known by its supporters as the October Revolution of 1945 (Alexander 1964; Betancourt 1979a; Olavarría 2008).

structural reforms. These included programs for housing, education and public health, as well as changes in oil policy that strengthened Venezuela's position relative to foreign oil companies (Tugwell 1975, 17-20).

In a departure from the economic priorities of the previous administrations, the Adeco governments realized the vulnerability that dependency on one main export represented for Venezuela, so they sought to diversify the economy. As Betancourt himself explained, his government took the position that “[r]eal progress cannot be achieved in underdeveloped regions if the economy is left entirely to private initiative” and therefore “[s]tate intervention to guide the economy toward collective welfare and national achievement is the ABC of modern government policy” (1979b, 165). Based on this, his government developed a program to diversify and increase agricultural production which yielded rapid results (Betancourt 1979b, 165-88).

A similar effort took place in industrialization, strongly supported by AD and opposed by traditional oligarchies. This effort, a classic example of import substitution industrialization, was the *adecos'* renewed effort to “sow the oil,” by using assets from oil production and export to support a development plan through loans and supervision of the Venezuelan Development Corporation, or CVF. The planned four-stage program was designed to go from supporting basic industries such as food production and electricity, to encouraging mining and industrial chemistry, to the production of steel, and finally to the development of semiheavy and heavy industry (Betancourt 1979b, 197-207).

The diplomatic relationship between the U.S. and the first Adeco government was more than cordial for the most part. After World War II the United States realized that its domestic oil fields were becoming depleted so that if there were new or increased military conflicts it would have to rely most likely on oil sources in the western hemisphere, in particular from Venezuela.

The American government celebrated the advent of a democratic regime in this country, and demonstrated so in a variety of ways, from strengthening the junta by providing military aid, to remaining neutral on decisions that affected the interests of the oil companies.

In 1945, the Adeco government demanded that the oil companies share with Venezuela fifty percent of the profits from oil, compared to forty percent that the companies had been providing since the 1943 reforms (Giuseepe Avalo 2010, 22-4). Also, the junta urged the oil companies to raise wages from 35 to 50 percent. All these actions were not perceived as significantly problematic by the three major oil companies Standard, Gulf, and Shell. These companies were still making record profits through the expanded scope of operations allowed to them under the 1943 oil law, and were happy that Venezuela was not attempting to follow Mexico's and Bolivia's nationalization efforts (Tugwell 1975, 17-20).

Starting in 1946, anti-communist paranoia began to antagonize the U.S. against leftist supporters of the Betancourt government. The situation escalated and by 1947 there were shipments of arms from Brazil to the Dominican Republic, creating fears of an attack by U.S. sponsored dictator Rafael Trujillo who, with Nicaragua's Anastasio Somoza, were trying to position themselves as the anti-communist police of the Caribbean. Bitterness grew between Betancourt and Trujillo, who in 1948 accused Venezuela of planning a communist invasion of the island. Rómulo Gallegos assumed the presidency on February 14, 1948 and tried to amend relations within the hemisphere. However, the military leaders of the 1945 coup claimed that Washington did not support the Venezuelan government anymore and removed Gallegos from power on November 24, 1948 (Liss 1978, 134-42).

Rabe points to domestic causes to explain the counterrevolution of November 1948. According to him, the *adecos* push for social justice garnered them enemies in all the traditional

oligarchic structures of the country, including landowners, manufacturing employers, and the church. In addition, the mandate AD received by winning elections with about 70 percent of the vote meant that they had no need to collaborate with other parties. Had AD worked more closely with those parties, it probably would have increased the opposition's support for the continuation of the democratic experiment (Rabe 1982, 94-113). In addition, others argue that the little popular resistance to the military coup can also be partially explained by the weak state of the Venezuelan economy in 1948 in comparison to the boom in oil prices experienced from 1943 to 1947 (Liss 1978, 143).

Adeco supporters argue that the braveness of the trienio's policies in confronting the oligarchic status quo, and the depth of the political and economic changes implemented during this period, were determinant factors for the coup. According to Betancourt, besides the campaign by certain Latin American dictators to destabilize the AD government, various other factors also complicated the "process of rescue of the popular sovereignty" and made economic and political reform difficult. Among these factors he counts the country's lack of experience with civilian government, regional resentment and resistance to the empowerment of popular sectors, particularly labor unions, and a military-right-to-govern belief promoted in the region by Argentina's Juan Domingo Perón (Betancourt 1979b, 235-42; Levine 1978, 90-2).

The Pérez Jiménez dictatorship and the return of 'surrender policy'

After the coup, Lt. Colonel Carlos Delgado Chalbaud presided over government until his assassination in 1950 by Rafael Simón Urbina, a 'violent unstable man' according to the official version, who was killed by prison guards before it could be known his reasons for assassinating Delgado. However, popular suspicion focused on the Junta's second person in command,

Colonel Marcos Pérez Jiménez as likely intellectual author of the crime. Pérez Jiménez became the Junta's new leader, but did not take the presidency immediately. Instead, he appointed civilian Germán Suárez Flamerich as president, though constitutional guarantees were still suspended. In 1952, the Junta called for elections under a new restrictive electoral law, in the belief that Pérez Jiménez and the military-supported *Frente Electoral Independiente* (Independent Electoral Front) would not have problems winning. Nonetheless, the *adecos*, banned from the election, supported the URD candidate Jóvito Villalba, with preliminary results showing him in the lead. Unsatisfied with this situation the military dissolved the Junta on December 2 and declared Pérez Jiménez interim president until December 13, when his government announced the election results, which had been manipulated to show that his party had won. Villalba and other opposition leaders were exiled from the country, and on April 17, 1953, Pérez Jiménez was sworn in as constitutional president for a five-year term (Rabe 1982, 127-38).

Unlike the military dictators before the *Trienio Adecos*, the new dictator was an educated professional soldier, interested in using the military discipline to improve the country's economic situation. Nonetheless, the Junta dismantled many of the reforms implemented during the *Trienio Adecos*. This caused a steep decline in the economy which by 1957 was in the worst shape of the past decades, resulting in a short-term debt that amounted to half a billion dollars. In addition, the Pérez Jiménez administration was the first government that did not press for any new demands from the foreign oil companies (Rabe 1982, 145). Instead, a policy of dependency on oil with highly favorable terms to the foreign companies returned under Pérez Jiménez, which Betancourt called "surrender policy" (1979b, 320-67).

Domestic opposition surged, mounting pressure against the regime. The Catholic Church raised the issue of poor human conditions and was attacked by the government in retaliation. Political parties and supporters demonstrated against Pérez Jiménez, and junior army officers allied themselves with the opposition and against the dictator. They attacked on January 1, 1958, and after a general strike and riots lasting for three weeks, they toppled Pérez Jiménez and exiled him to the Dominican Republic (Liss 1978, 144-7). The overthrow of Pérez Jiménez was a *coup d'état* in the strict sense of having been performed by the force of the military. However, the military forces that carried out the operation acted in coordination with the civilian opposition leadership, which had control over the Junta and immediately moved towards the consolidation of civilian government (Taylor 1968).

The Pact of Punto Fijo and the establishment of an 'exceptional democracy'

Leaders from all parties believed that the strength AD showed in the 1947 election, and intense conflict caused by the rapid pace of reform during the Trienio, had created a perception among the opposition that there were no alternatives for contestation other than the use of force, which led to the 1948 coup. However, after experiencing the repression that characterized the Pérez Jiménez dictatorship⁴⁵, they were eager to reduce interparty tension and violence, and remove challenges to legitimacy from the way they would carry on politics in the future. To this end, Venezuelan leaders developed a power-sharing agreement to secure future peaceful political alternation. This political agreement is known as the Pact of *Punto Fijo*⁴⁶, and was established by

⁴⁵ One of the most famous accounts of the repression during the Pérez Jiménez dictatorship is José Vicente Abreu's novel *Se llamaba SN* (Abreu 1964).

⁴⁶ The pact takes the name of the house where the agreement was signed. The house belonged to Rafael Caldera, COPEI's leader and signatory to the pact (Levine 2002, fn.1).

the three main political parties at the time: the social-democratic AD, the Christian Democratic COPEI, and the smaller leftist URD.

The Punto Fijo pact set the basis for distributing political and economic power among these three actors, and it specified the venues for political participation through a clientelistic structure of unions, business associations, etc. This agreement continued and expanded the societal reorganization attempt started during the Trienio Adeco. It intended to provide a space for every economic and social sector to have a direct connection with one of the permitted parties and, through them, influence in government. Under this system, there was no need to seek alternative or extremist political paths, particularly military coup or social revolution, as the clientelist structures provided an opportunity for all sectors to increase their influence and to contest for power. Moreover, this system was structured to guarantee the participation of all the major parties on it, in a way that the alienation of one of the political forces would also affect the rights and privileges the system granted to the others (Levine 1978, 93-4).

In his description of educational policy, Levine presents an example of how the Punto Fijo pact worked. Education had been a contentious issue since the Trienio, when AD's push for secular education challenged the Catholic Church both on philosophical and material grounds, as this institution held until then a quasi-monopoly on schooling. After Punto Fijo, the government and the church held lengthy negotiations with a clear commitment to compromise. In order to avoid conflict, the focus of the talks was on technical questions, leaving complicated philosophical issues on the side. It is revealing that, in order to make this arrangement work:

“[G]reat efforts were made to keep the conflict in hands of elites, out of the public eye where leaders on all sides agreed that passions could easily be inflamed, allowing the conflict to get out of hand. Privacy, centralization, and control were the watchwords” (Levine 1978, 94).

This example shows how, after 1958, AD made a strong commitment not to alienate the elites, in contrast to its approach during the Trienio. When Betancourt was elected president in

1959, he and the *adecos* were concerned with not recreating the highly polarized political environment that resulted in the 1948 coup. For this reason, AD's policies were significantly less radical than before, even if that meant turning its back on some of its more leftist elements. For example, the party restrained the use of strikes and toned down its most socialist-leaning members (Levine 1978, 95).

Pérez Jiménez had dismantled most of the land reform, agricultural expansion, and industrialization efforts of the *Trienio*. In addition, most things could be easily imported and paid for with oil revenues, and therefore agriculture was allowed to collapse to the last place in productivity in Latin America. Instead of implementing an expropriation and redistribution land reform program as he did during the *Trienio*, Betancourt changed it for a heavy capital investment initiative that supported existing landholders as well as new ones who would be granted titles to previously unoccupied lands. Such policy changes required large amounts of capital, which demonstrates that the availability of economic revenues was critical for the clientelist system to function (Rabe 1982, 139).

The new Agrarian Reform Law was negotiated in the same fashion as the education policy, resulting in agreements that benefited and were respected by the elites, but that also addressed to some extent the demands of the parties' bases (Levine 1978, 97). Nonetheless, according to Rabe, "Betancourt's four-year plan was a form of state-capitalism" as more state resources were invested in private enterprises and away from the grand development plans to *sow the oil* implemented during the *Trienio* (Rabe 1982, 140-1). The end result was a disappearing peasant sector, a weak working class, and an increasingly large lower-middle class belonging to the state's bureaucracy or to the service sector dependent on the oil economy.

The Punto Fijo pact created incentives for political and social actors not to pursue a change in government by force, either through social revolution or by joining the military in a coup. In order to make sure that the armed forces would not attempt to achieve such change by themselves, the post-Punto Fijo governments consolidated their control over the military by fragmenting it. This was done institutionally, by eliminating centralized command structures and instead giving autonomy to the different branches of the military. The civilian authorities created incentives for competition between the various corps, enabling each of them to build their separate infrastructure and culture. Nonetheless, the government still provided each branch with rising budgets and a strong military social safety net, which reduced the potential threat of a coup (Trinkunas 2002, 44-5). In addition, after 1959 AD leaders persuaded the military that a coup would likely result in a Cuban-style revolution and the possible elimination of the military (Alexander 1964).

The Punto Fijo pact worked out well for the country between 1958 and 1979, as economic infusion through the Alliance for Progress in the 1960s and the increase in international oil prices during the 1970s made Venezuela the Latin American country with the highest per-capita income at the time (Rabe 1982). During those years, there was plenty of oil money for all the political parties to fulfill the demands of their respective clientelist allies, and therefore the political system seemed to have achieved its stabilizing function. Indeed, political opinion studies of the time show that support for democracy increased during that period (Baloyra and Martz 1979).

However, AD also conducted a purge of what it saw as the most radical leaders in the peasant and labor movements, signaling its commitment to the Punto Fijo pact. AD feared the Right and wanted to reduce its incentives for confrontation, but it also feared the extreme Left

and the possibility of a Cuban-style revolution, and wanted to limit its possibilities for becoming organized (Levine 1978, 97-8; Powell 1971).

Some of the people involved in the mass mobilizations that ended the Pérez Jiménez dictatorship in 1958 found the new version of Betancourt too moderate and the new democratic system too closed for the type of reforms they had fought for. Growing increasingly dissatisfied at the repression some of them suffered under AD, they organized various groups in search of deeper change. One of them was *Causa R* (for Radical Cause), which on the same day Pérez Jiménez was overthrown, occupied a new housing complex built for military personnel, and renamed it *23 de Enero* in commemoration of the day democracy returned to Venezuela. *Causa R* mostly focused on organizing this housing complex, but also joined other groups in pushing for democratic openings at the national level (Martinez, Fox, and Farrell 2010, 14-8).

Among the most vocal sectors involved in this struggle were student organizations, which, throughout the decades following the end of the dictatorship, continued demonstrating and developing new sets of leaders for what they called the democratizing movement.

While the political situation was significantly better than during the dictatorship, and in the eyes of the international community the country was now a beacon of democracy, the new democratic governments were repressive with dissenters, particularly leftists and communists.⁴⁷ The repression prompted some to seek more radical options, such as the MIR or *Movimiento de Izquierda Revolucionaria* (Revolutionary Left Movement), and the *Fuerzas Armadas de Liberación Nacional* or FALN (Armed Forces for National Liberation) (Rabe 1982, 145-55). Former FALN members claim that between 1960 and 1970 more than three thousand of their

⁴⁷ For an argument about Betancourt's repressive anticommunism as a mechanism to earn support in the military see Trinkunas' *Crafting Civilian Control of the Military in Venezuela: A Comparative Perspective* (2005).

members were tortured, disappeared, or assassinated by security forces (Martinez, Fox, and Farrell 2010, 153-6), though there is not clear evidence that this number is realistic.

During the 1960s and 1970s Venezuela continued to focus its development strategy on increasing its profits from oil, in part also because its market share was rapidly diminishing due to the rising output of African and Middle Eastern countries with lower production costs (Adelman 1993; Manzano 2014). In 1960 it played a major role in the creation of the Organization of Petroleum Exporting Countries (OPEC), in conjunction with Saudi Arabia, Iran, Iraq and Kuwait. The goal of this cartel was to counter, through regulation of production, what they understood as oil underpricing in the global market (Blair 1978). They believed that the prices set by the main consumer countries did not reflect the strategic importance of this resource in the world's development, as well as its non-renewable and finite nature⁴⁸. While OPEC did not achieve much during its first years, it was able to influence oil prices later on, quadrupling them in 1973-1974, and again in 1979⁴⁹ (Coronil 1997, 55; Rabe 1982, 160-1, 84-85). In addition, in order to strengthen its influence within OPEC, Venezuela overstated the value of its reserves, especially during the 1980s and early 1990s (Boué 1993).

AD's Carlos Andrés Pérez was elected president in 1974 with an ambitious plan to continue *sowing the oil*, which was at record high prices, in order to build *la Gran Venezuela* (the Great Venezuela). By 1970, Venezuela was the Latin American country with the highest GDP per capita and one of the twenty countries with the highest GDP per capita in the world (Hausmann and Rodríguez 2014, 1). On the basis of this wealth, the Pérez administration

⁴⁸ An influential advocate for this position, which he called the "preservation principle," was Minister of Mining and Hydrocarbons Juan Pérez Alfonso (Manzano 2014; Pérez Alfonso 1962).

⁴⁹ Besides its role at setting oil prices, another significant impact of OPEC was its leading role in the Non-Aligned Movement (NAM) and its support for the New International Economic Order (NIEO) agenda, which was at the core of a NAM attempt to counter what they understood as unfair conditions for economic competition in favor of industrialized countries (Rabe 1982).

launched ambitious medical and social security programs, as well as large industrialization projects during its first years. However, the boom also produced an escalation in corruption and waste (Naím and Piñango 1985).

In another significant step towards strengthening oil's role as the country's development engine, Pérez nationalized this industry in 1976, creating *Petróleos de Venezuela S.A.* (PDVSA) (Hammond 2011, 363). Nonetheless, while the president recovered control of the nation's subsoil, he also opened the door for increased foreign investment, in an attempt to boost production and profits (Coronel 1983; Rabe 1982, 160-1, 84-85).

Economic crisis, community organizing, repression, and neoliberalism by surprise

Similar to the Mexican case, Venezuela's foreign debt grew dramatically during the 1970s, from less than current US\$1.5 billion in 1970 to a peak at current US\$38.3 billion in 1982, leading to a debt crisis in 1983 (Coppedge 1994a, 48-9; World Bank 2016c). In addition, as seen in Figure 2.1, the collapse of oil prices that began in 1981 and reduced the price of oil to one quarter of its 1980 value by 1986 (Yergin 1991), left the Venezuelan economy with significantly less income. Reducing production under the principle of preservation had helped Venezuela and OPEC to push prices up during the 1970s. However, once prices were down, the country did not have the productive capacity to do the same again and recover rapidly from its economic losses (Manzano 2014).

Figure 2.1. Crude Oil Prices, 1970-2000.



Source: Trading Economics (2017a).

The economic crisis resulted in a decline in public services, deterioration of infrastructure, and general inability of the state to fulfill its routine obligations. This worsening situation led the government and parties to unsuccessfully seek ways to improve the economy, while also fighting to distribute the scarce remains of revenues and benefits among their own clients. Moreover, the corruption and impunity that increased during the 1970s oil boom period continued into the 1980s, increasing anger and dissatisfaction in a population already suffering through the economic crisis⁵⁰ (Coppedge 1994a, 47-9).

The Pact of *Punto Fijo* is commonly assumed to be the reason for the political stability that existed in Venezuela during the decades following the Pérez Jiménez dictatorship, because the clientelist system that resulted allowed for most sectors in society to benefit to some extent from the oil bounty. Nonetheless, the lack of different or newer venues for political participation and contestation also turned the system into a rigid one. Venezuela in the early 1980s was “as

⁵⁰ In “Evolution of the party system in Venezuela, 1946-1993,” Molina and Pérez argue that dissatisfaction with government performance is in fact endemic in a country that, despite oil wealth, remains “within a framework of underdevelopment,” unable to satisfy the needs of its constituents (Molina and Pérez 1998, 3).

authoritarian as a country could be and still claim to be democratic” because of the way its parties aggressively controlled social organizations through the implementation of corrupt and clientelist strategies (Coppedge 1993).

The clientelistic nature of the system also provided much space for corruption. In addition, the repression of those who raised their voices demanding change not only impacted those involved in the movement, but it became also known by the rest of the population. All these elements resulted in a cynicism about the political system that did not seem significant during the years of the oil boom, but it became critical in articulating the sense of disappointment and frustration Venezuelans felt when the economy went down and repression went up in the 1980s (Hellinger 1991).

When the idea of armed revolution weakened in Latin America during that decade, some of the formerly revolutionary movements transformed themselves into legal political organizations, such as the Party of the Venezuelan Revolution (PRV), the *Movimiento Al Socialismo* or MAS (Movement Towards Socialism), *Bandera Roja* (BR or Red Flag) and the Socialist League. While the main aim of all these organizations was radical and comprehensive change, throughout the years they were able to build community leadership, to promote critical analyses about the situation in the country, and to help people through local issue-based campaigns at the same time (Martinez, Fox, and Farrell 2010, 14-8). Many people moved from radical politics to issue-based activism, such as the case of current urban activist Iraida Morocoima, whose father and brother were long-time members of the Communist Party and who joined *Bandera Roja* in the late 80s. She had a brief incursion in those organizations, and later joined the CTU or *Comités de Tierra Urbana* (Urban Land Committees) to fight for land redistribution even after Chávez took power (Martinez, Fox, and Farrell 2010, 32-41).

During the oil-boom years, independent civil society efforts were scarce and weak, in part because the good state of the economy facilitated the perception that the government was able to fix everything, and in part because the political system did not provide venues for much participation outside of the *Punto Fijo* structures. Most civil society organizations working at the time focused either on promoting the respect of liberal democratic freedoms, or on redirecting people in need to state agencies and services, and on to requesting improvements of such services (García-Guadilla 2007, 143).

In contrast, new groups and organizations were created during the 1980s in response to the economic crisis, in part to provide services to the population most hard hit by the economy, and in part to protest the increasing burden placed on the poor and middle classes by the economic crisis. As protest was increasingly met by repression, additional organizing took place in the area of human rights and legal representation. By the end of that decade there were groups based on religious beliefs, on a human rights vision, or with a focus on local needs as in the case of neighborhood associations. They created networks to strengthen their profile and even held meetings with representatives from the Executive requesting attention to their demands, but without much success (Gómez Calcaño 1998; Levine 1998; López Maya 1998).

Due to the volatility in oil prices, the post-Pérez Jiménez governments were not able to reach the kind of long-term economic stability that had allowed capitalist liberal democracies to consolidate in Europe and North America. Workers, peasants, and other sectors that were supposed to be placated through the clientelist structures⁵¹ were suffering economically and protesting, and the government responded by increasing repression (Petras, Morley, and Smith

⁵¹ For a study arguing specifically that the 1989 incident of repression known as the *Caracazo* is result of long-term lack of institutional consolidation see López Maya's "The Venezuelan Caracazo of 1989: Popular Protest and Institutional Weakness" (2003).

1977, xv-xvi, 8-26). Nonetheless, as Levine argues, the process of civil society-building that took place during the 1980s resulted in a society that was significantly organized.

Civic participation increased in 1987 and 1988 through student demonstrations demanding a stop in tuition hikes and to the repression they faced. In addition to these examples of articulated action, starting in 1988 there were twelve *pobladas*⁵², defined by the non-profit Venezuelan Program for Human Rights PROVEA as non-partisan, large and spontaneous mobilizations in response to specific problems such as lack of services and food, or abuse from the authorities (PROVEA 1989, 60).

Carlos Andrés Pérez was elected president for a second time in 1988, after a fiery anti-neoliberal campaign during which he called World Bank's economists "genocide workers in the pay of economic totalitarianism," and denounced the IMF as "a neutron bomb that killed people, but left buildings standing" (Ali 2006). His first term as president, from 1974 to 1979, had coincided with the boom in oil prices and times of economic bonanza in Venezuela. And while during that period there was also a sense that the economy had been mismanaged (Naím and Piñango 1985), Pérez was elected for a second term largely due to Venezuelans' hope to revive the old times of the economic boom.

As happened throughout the rest of Latin America, rescue loans from the IMF were conditioned on the implementation of harsh structural adjustment policies that would stabilize the economy on the backs of the poor and working classes. Such policies included massive layoffs of state employees, cuts in subsidies of consumption items and services, and the weakening of the welfare state. In 1989 the newly elected President Carlos Andrés Pérez

⁵² According to the *Real Academia de la Lengua Española* (Spanish Language Royal Academy) the word *poblada* means "a multitude, a crowd, especially when it is in a confrontational or aggressive attitude." The term is used in some Spanish-speaking countries to refer to an irrational mob, which is the perception that the middle and upper Venezuelan classes had of the large mobilizations of 1989, to which they refer as "*the day when they came down from the hills*" (emphasis in original) (Barrera Linares and Gonzalez Stephan 2006, 844-6).

announced a shock therapy of market reforms, in full contradiction to the anti-neoliberal economic platform that he had campaigned on. The political parties failed to provide a platform for political debate and policy deliberation about this package of reforms, due to lacking any real form of inter-party as it was characteristic of post-1958 Venezuelan democracy (Stambouli 1993). For Venezuelans this was, as Stokes (2001) said, neoliberalism by surprise.

This situation prompted a new series of riots in various parts of the country that began on February 27, sparked specifically by the sudden doubling of the cost of public transportation caused by higher fuel prices. The government reacted to the riots with a heavy hand by implementing martial law and using military personnel to capture and repress protestors during the demonstrations. On February 28, President Pérez suspended the constitutional rights to individual liberty and security, inviolability of the home, freedom of expression, free assembly, and to peaceful protest. In addition, for many days after the riots, the military cracked down on poor people, beating and killing them in their neighborhoods, raiding homes, and torturing or *disappearing* prisoners, all this as a form of intimidation against future protest (Amnesty International 1991; "El Caracazo" 1999; López Maya 2003). The official tally of this episode is close to 300 deaths, but independent estimates surpass the 2,000 mark (Crisp 1998, 157). This episode is known as the *Caracazo*, and for the following years it became the main symbol of the exhaustion of Punto Fijo democracy and a rallying cry of the opposition (Wilpert 2007, 16-7).

While repression stopped the rioting against the neoliberal reforms proposed by the Pérez administration, the government's violence just intensified popular dissatisfaction against his administration and its economic strategy. By April of 1989, a series of *paros cívicos* (civic strikes) were organized in various cities by labor unions, students, neighborhood organizations, and religious groups. All this spontaneous action prompted the large labor unions, traditionally

attached to the political parties, to join in a national *paro cívico* on May 18th to protest the economic reforms package (PROVEA 1989, 60-1). Social mobilization continued to increase in reaction to structural adjustment despite the belief by some (Diamond 1993, 33-6) that such policies would be more easily received in Venezuela given its thirty-year democratic legacy, which presumably would limit both protest and governmental repression.

The Venezuelan democracy under the *Punto Fijo* agreement was labeled a *partyarchy* by Coppedge (1994b, 2), meaning a system in which “parties control so many aspects of the democratic process so completely” in ways that they are not able to do in any other pluralistic system. Under this system parties “monopolize the electoral system, dominate the legislative process, and penetrate politically relevant organizations.” He explains that strong parties are not necessarily a bad thing, especially in parliamentary systems. However, in the case of a presidential system such as Venezuela’s, partyarchy operates in a context in which executives have significantly more power, but the checks-and-balances system is weak given the de-facto agreement that exists among the parties not to challenge each other in meaningful ways.

According to Coppedge, it is common in presidential systems for the political process and the real power contestation, to occur within the governing party. However, under partyarchy such contention is not about policy options, but mostly about being the group that dominates the party. This system does not really provide venues for participation by the majority of the public. The lack of effective channels for representation of interests in this system, and the bitterness of the internal fighting, often made public, alienate the rest of the population and increase a sense of lack of responsiveness from government and parties. Nonetheless,

“although presidential partyarchy undermines the quality of democracy, it also enhances the stability of a democracy, at least in the short run” while “[i]n the long term [...] the net effect of presidential partyarchy on stability is probably negative, because partyarchy fosters disillusionment with the parties and democracy” (1994b, 4).

Coppedge's hypothesis published in the early 1990s described with significant accuracy what would be the near future of Venezuelan politics just a few years later.

Carlos Andrés Pérez's governing coalition became increasingly weaker after a few years in the presidency. He was elected under the AD banner and with important support from CTV, the labor confederation. Nonetheless, after the *Caracazo*, AD and CTV union leaders called a general strike, less than six months into his administration (Murillo 2003, 111). AD was increasingly detached from him due to the contempt that Pérez himself had demonstrated towards the party. First, contrary to the norm in *partidocracia*, his administration appointed very few party members in cabinet positions and gave most of the key positions to his political friends and to market-oriented technocrats. Second, and most significantly, AD was not consulted on the letter of intent that Pérez signed with the IMF committing to implement the structural reforms that later affected the party base. For the president, AD represented the "old regime" and he thought he could establish alliances instead with new social and political actors. AD leaders felt they did not have any weight in the government and became detached from the president to the extent that they denied him special powers he sought to manage the crisis, and they also placed constraints on his legislative agenda (Corrales 2000, 134-5).

The Venezuelan armed forces, while fragmented and having less political power after the Punto Fijo pact, enjoyed a good quality of life until the early 1980s. In fact, in the period 1972 to 1981 its military officers were the best compensated in the Western Hemisphere, only behind their U.S. and Canadian counterparts. However, the decline in oil prices that began in 1982 and the subsequent economic shock imposed by Pérez's structural adjustment policies, made a strong impact on the lives of military personnel, just as on the rest of the population. Officers who had been enjoying upper middle-class status, affording housing, new cars and vacations before the

implementation of austerity measures, found themselves living under working-class conditions, sharing cramped apartments in poor neighborhoods. Just as had happened with other sectors of the clientelist system, this situation weakened the armed forces' support for the regime (Trinkunas 2002, 49-52).

In addition, there was resentment in some sectors of the military for the way they had been exposed during a UN peacekeeping mission to Honduras and Nicaragua. In the first two years of his administration, Carlos Andrés Pérez sent hundreds of officers and troops to these nations in order to enforce a cease-fire and to disarm Nicaraguan *Contras*. They lacked equipment and training for this mission, and had to request help from other countries, which brought shame to the Venezuelan military. The domestic support for this mission was low from the beginning, as it was seen as a distraction from the pressing economic and social crisis facing the country. After the mission, dissatisfaction about the unsuccessful venture was prevalent in the population as well as within the military. This episode increased doubts about the legitimacy of the Pérez government in some military personnel, and paved the way for them to support the coup attempts that would take place in 1992 (Romero 1998).

The 1992 coup attempt

In 1992 Hugo Chávez Frías was a lieutenant colonel in the Venezuelan military and founder of the clandestine group EBR-200⁵³, or *Ejército Bolivariano Revolucionario* (Revolutionary Bolivarian Army). This organization had spent years gathering mostly lower rank soldiers in order to study Simón Bolívar's ideology, history, philosophy, and to reject the corrupt and closed Venezuelan political system. After the *Caracazo*, the EBR-200 started

⁵³ The "200" suffix in the movement's name was added in 1983, one year after its creation, as a homage to that year been the 200th anniversary of Simón Bolívar's birth (Gott 2000, 40-1).

preparing to take action in order to stop what they perceived as the country's privileged elite's taking over the nation. The situation for them reached unacceptable levels when the army was used to repress the poor during the Caracazo. Chávez's coup attempt took place on February 4th of that year, and failed because information about the uprising had previously leaked.

Nonetheless, as his condition to surrender, Chávez had the opportunity to address the nation in a televised speech that became a rallying cry for the country's disaffected, when he stated that actions to change the government had been halted only *por ahora* ("for the moment"), a sentence that clearly meant that his struggle to change the status quo would continue. While Chávez was in prison, a group of young officers belonging to EBR-200 attempted another coup in November of the same year, again without success (Jones 2007, 131-57; Wilpert 2007, 17).

Impeachment and end of the second presidency of Carlos Andrés Pérez

To complicate more the economic picture of the time, the revenues the state was receiving from oil continued to be low. Since the 1980s and more intensely in the 1990s, PDVSA experienced a major transformation when its executives moved towards the neoliberal model of isolating the company from politics and the government, and towards the maximization of profits. The goal of this process, known as PDVSA's *apertura* (opening), was to correct what they understood as the wasteful and unplanned developmental policies of the 1970s (Hellinger 2006). The shift included an opening to foreign investment, and the internationalization of the oil giant, acquiring refineries and distribution facilities abroad, such as the U.S. gasoline company Citgo. It also ignored OPEC's quota requirements and continued to pump and sell as much oil as possible even when the cartel called for restrictions. In addition, the company succeeded in reducing the amount of fiscal revenue the government would receive from oil, by

reducing the percentage of the profits that would be given to the state (Mommer 2003). As Hammond describes, for some observers this transformation represented a needed reform in order to address a wasteful situation, while for others it made it worse by sacrificing national sovereignty and affecting the population's wellbeing due to the lack of resources that resulted from diminishing revenues (Hammond 2011, 365).

The Carlos Andrés Pérez administration ended as conflictive as it started. After the coup attempt the government implemented another three-month suspension of constitutional guarantees, but the pressures on Pérez to resign, coming even from his own party, were strong (Coppedge 1992). He resisted and Congress impeached him on charges of misappropriation of funds and embezzlement. The latter charges were dropped, but he was convicted for the former and removed from office on August 31st, 1993. Some believe the impeachments was a political revenge for the sudden imposition of structural reforms “which alienated even his co-partisans in Congress” (Carey 2003, 22-3). Historian and AD politician Ramón José Velásquez was appointed by Congress to complete the presidential period until elections were held in December of that year, and a new president would be sworn into office in February of 1994.

While Pérez was successful at implementing neoliberal macroeconomic reforms, by the end of his administration he no longer counted on significant sources of political support. Stokes argues that the continued economic decline despite the economic reforms is the reason Carlos Andrés Pérez's “great turnaround” from anti-neoliberal candidate to neoliberal-implementer president was perceived negatively by the public. She believes public opinion would have been different if the policies he implemented had improved the economy (Stokes 2001, 148-50). He was despised by the poor and the working class, who suffered the costs of structural adjustment. Business owners in the industrial and agricultural sectors were afraid of the reduction in state

subsidies and the increased competition from abroad that would result from trade liberalization. Similarly, the financial sector resisted participation in the economy by foreign banks (Stambouli 1993). This wide range of sectors negatively affected by the newly implemented neoliberal policies, in addition to the economic downturn of the 1980s, left the Pérez administration and both parties with very few resources to distribute among their clientelist structures. And these became, therefore, the most important reasons for the demise of the Carlos Andrés Pérez administration and the increased weakening of the party system (Coppedge 1992).

The Chávez election and the collapse of Punto Fijo

There was one prominent figure who did not condemn Chávez's coup attempt, justifying it by claiming that Venezuela's democracy had failed the people: Rafael Caldera, former president, and one of *Punto Fijo's* architects. Caldera won the 1994 election with, among other things, the promise to give amnesty to Chávez and other coup members, and to stop the implementation of the neoliberal economic program started by Pérez⁵⁴. Of these promises, Caldera kept his word on the first one but changed his mind on the second one, as he not only continued the structural reforms initiated by his predecessor, but he stepped them up.

During his second presidency, Caldera faced a banking crisis in 1994 that caused capital flight, inflation soaring to over 100percent, and the currency plummeting. He responded by privatizing state industries, leaving tens of thousands of workers laid off, suspending some constitutional guarantees, and harassing and cracking down on the opposition (Jones 2007, 182-3, 95-98). All of these actions were pivotal in paving the way for Chávez's election, by allowing him to play the role of a liberated hero, and by increasing the perception that neither of the two

⁵⁴ For a deeper analysis of the prospects for success of the second Caldera administration in the breakdown context of exhausted partyarchy see Coppedge's article "Prospects for Democratic Governability in Venezuela" (1994a).

main parties would follow through on their political or economic promises, increasing the perception that the only way to stop the economic hurt and the repression would be to end partyarchy and elect an outsider.

Chávez was not the only beneficiary of the strong anti-establishment sentiment reigning in Venezuela before the 1998 election. Irene Sáez, a former Miss Universe and second term Mayor of the wealthy Caracas' section of Cachao, was the other main contender for the presidency, running on her name-sake party-movement IRENE (Spanish acronym for "Integration, Renovation and New Hope"). Named by *The Times* of London as one of the one hundred most powerful women in the world, her popularity ran high among the Venezuelan upper classes and the conservative and religious middle classes, to the point that the previously powerful COPEI ended up supporting her candidacy, though this tainted her campaign instead of helping it.

On the other side of the political spectrum, Chávez strengthened his MBR-200 movement with the creation of the MVR⁵⁵ (Movement of the Fifth Republic) integrated by Venezuela's old left, which had been excluded from the Punto Fijo agreement and joined Chávez under the banner of 'revolution through elections'. Among the new members of his coalition were the PPT party (*Patria para Todos* or Homeland for All), the leftist split from Causa R, and the strong MAS movement, pressured from its party base to join the coalition.

The third contender, AD's Luis Alfaro Ucero had to his advantage all the *adeco* political clientelist machine, which he used to campaign without much success, and he remained in the single digits in every poll. The election was therefore an anti-establishment contest between

⁵⁵ Chávez used the Roman numeral V for fifth in the acronym of his new political party MVR, in a way that cleverly resembles the name of his military movement MBR, given that the letter V in Venezuelan Spanish is pronounced as B.

Sáez and Chávez that came to be known as the struggle between “the beauty and the beast” (Jones 2007, 205-17).

Chávez’s outreach to the poorest and most abandoned areas of the country, and his critique of Caldera’s neoliberal economic policies quickly propelled him up in the polls. As Corrales describes it,

“[T]he Chávez movement in 1998 was inclusionary, judged in terms of the groups that supported the coalition. [...] Chávez united not just the poor and marginalized, but also the middle classes, the intellectuals, the new civic groups, and the military. [...] In short, the Chávez movement, at least initially, was not exclusively a poor people’s movement. Its anti-party stand united most Venezuelans from all classes, and its anti-market stand united some Venezuelans from all classes. While many scholars marvel at Chávez’s popularity among the very poor, the first major revelation of recent scholarship is that he once had the support of many socioeconomic elites, whom Chávez now calls ‘oligarchs’. They supported Chávez because they saw in him a solution to partidocracia and a shield against the recurrence of the neoliberal reforms of 1989-92, which they never cared for that much” (2005, 106-7).

However, once it became clear that a leftist was a serious contender in a Latin American country for the first time in many years, the ideologically-charged attacks on his personal image began to flow from others besides the parties in campaign. The U.S. embassy denied him a visa while expressing “real problems” at the consideration of a terrorist and anti-democrat becoming Venezuela’s leader. This was also the beginning of a hyperbolic anti-chavista media campaign, local and international, that continued until his death, in which papers like *The Miami Herald* reported about unproved secret connections between Chávez and Cuba, Libya, and other rogue Middle Eastern states to train Venezuelan militias and promote armed revolution in the Americas (Jones 2007, 216-8).

Trying to prevent Chávez victory from resulting in a majority for him in congressional and regional elections, the AD- and COPEI-controlled Congress ordered these elections to be held one month earlier. To their surprise, Chávez’s *Polo Patriótico* (Patriotic Pole or PT) took significantly more victories than anyone expected, chipping away at AD’s majority in governorships and winning one third of a Congress in which no party had a majority. In a final

desperate attempt to keep the presidency from Chávez, COPEI and AD withdrew their support from the fading Sáez and Uceró respectively and joined former COPEI member Henrique Salas Rómer and his *Proyecto Venezuela*. A former governor of Carabobo state, Rómer's neoliberal prescriptions, Yale education, puffed image, and support from the establishment helped to make the choice even clearer for the electorate (Jones 2007, 220-3).

Chávez won in a landslide with 56.20 percent against Rómer's 39.97 percent. The Venezuelan partyarchy, as it had existed since the end of the Pérez Jiménez dictatorship and the *Punto Fijo* pact, was over. And while the election clearly showed a rejection of the traditional, clientelist and unresponsive party system, it also clearly demonstrated the majority's dissatisfaction with a neoliberal system that had increased inequality and poverty during the previous two decades (Corrales 2005).

Conclusion on the Collapse of Venezuela's Partyarchy

A significant portion of Venezuela's history during the twentieth century was determined by the creation of a strong state through more than fifty years of military dictatorship, and by the increased economic dependency of this country on its vast oil production. The military coup that ended three years of democratic experimentation in the 1940s imprinted on the political elites a strong fear of confrontation that might bring the return of authoritarianism. In order to avoid it, they established the *Punto Fijo* pact, in which the three main parties agreed to share control over moderate political participation through clientelist structures involving most sectors in society. This arrangement was lauded by some as the basis for an 'exceptional democracy,' and it was able to produce political stability while oil revenues were strong. However, the system began to collapse in the 1980s when oil prices fell and neoliberal policies were implemented. Austerity

measures resulted in mass mobilizations and the 1989 incident of state repression known as the *Caracazo*.

After the *Caracazo* Venezuelan civil society became fractured by class. The middle classes on one side demanded the economic and political stability that would bring them back to the lifestyle they had before the crisis, and on the other side, a popular movement was determined to reduce inequality and alleviate the costs of neoliberal reform (García-Guadilla 2007, 143-4). Despite this fracture, both sectors demanded a deepening of the democratic system during the 1990s.

Chávez won the presidency in 1998 on a platform that highlighted the need to dismantle the old party system and adopt economic reforms to reduce poverty and inequality in Venezuela. He came to power in part as result of the extensive dissatisfaction that existed with a form of electoral democracy in which political parties did not seem to differentiate from each other. His election was also a rebuttal to the perceived hypocrisy of the *puntofijista* parties that had not implemented policies preferred by larger sectors of the population, even if elected officials came to power with a platform promising to do so, as the second Carlos Andrés Pérez and Rafael Caldera administrations did.

The *Punto Fijo* parties had no significant candidate on their own in the 1998 election, which signaled the end of partyarchy in Venezuela (McCoy 1999). Nonetheless, while widespread popular discontent was a critical component in the election of Hugo Chávez, voter organizing and mobilization was also possible by an increasingly strong popular sector of civil society that was built during the previous two decades and that became after the election a critical component of supporting and operationalizing the new government's policies.

Conclusion to Chapter 2, on the Historical Context of the Political Transitions in Mexico and Venezuela.

Both Mexico and Venezuela had clientelist political systems during a significant part of the twentieth century that controlled most of society through clientelist structures. The populations in these countries experienced the economic boom caused by high oil prices in the 1970s and suffered similarly through economic crisis and structural adjustment policies during the 1980s and 1990s. This economic crisis and neoliberal response resulted in collapsing support for the clientelist political system, and a sharp rise in social and political mobilization seeking to dismantle it. As a result of this, both countries experienced significant political transitions towards the turn of the millennium. Chapter 3 describes the governments that emanated from such transitions and the extent to which they fulfilled the expectations for the eradication of clientelism.

3. The Governments that Emerged from the Political Transitions in Mexico 2000 and Venezuela 1999

The political transitions that took place with the elections of Vicente Fox and Hugo Chávez were possible because democracy was very limited and fragile in Mexico and Venezuela during the 1990s, and enough people in both countries believed that deep political change was necessary and that they could break with the corporatist and clientelist systems that had existed in their countries for decades. At the time of transition, both countries had nominally functioning democracies, and this is the reason why popular expectations for reform were less about democratization understood as competitive elections, and more about deepening democracy.⁵⁶ The governments elected in these two countries were expected to transform the political system in ways that would decrease the clientelist nature of previous regimes, while also implementing policies that would result in a less unequal distribution of the country's resources, compared to the high levels of inequality of the previous twenty years.

In order to achieve this, they implemented policies based on two contrasting economic ideologies: neoliberalism, in the case of Mexico; and a socially redistributive and economically inward-oriented model the government called “twenty-first century socialism,” in the case of Venezuela. In addition, these new governments established different types of relationships with civil society and the population at large, especially with the poor and working classes. Specifically, in the implementation of social programs, the Fox and Calderón administrations

⁵⁶ The concept of ‘deepening democracy’ as articulated by Roberts is closely related to the concept of popular sovereignty, and attempts to go beyond the phase of transition from authoritarian rule and the phase of democratic consolidation, into a new phase exploring questions of the character and quality of democratic processes (1998, 1). The idea of deepening democracy questions the existence of democratic form without democratic substance, and understands increased popular participation and collective control as the essence of democratic governance. A broader discussion on the concept is available in the Literature Review section.

allowed the continuation and consolidation of clientelist practices in Mexico, while in Venezuela the Chávez administration promoted participatory democracy through these programs.

3.1 Mexico: The PAN administrations of 2000 – 2012

This section analyzes the two PAN administrations that followed the PRI hegemony in Mexico, focusing on the expectations they raised for improving people's quality of life, for transitional justice⁵⁷, and for an end to corrupt and clientelist politics. The first part looks at the political context during those twelve years. It examines and illustrates the way the PAN governments not only did not prosecute or change criminal, corrupt and clientelist practices of the PRI period, but on the contrary, how they adapted to them and used them for their own gain as well. The second part looks at the limited achievements in dismantling clientelist practices in various areas of political life, and it focuses especially on social programs and the electoral system. In these areas, advances in transparency are mixed with a constant lack of enforcement that increased a perception of impunity. This consolidated the clientelist system more than dismantled it, which is what people had hoped would happen with the collapse of the PRI.

The 2000 election of Vicente Fox as president marked the end of a seventy-year old hegemony of the PRI party in power, what novelist Mario Vargas Llosa called “the perfect dictatorship.” Self-appointed guardian of the Mexican Revolution, the PRI provided the country with political stability from the 1930s to the early 1980s through a corporatist system in which most sectors of society had a channel of influence within the party and therefore with

⁵⁷ Transitional Justice is the “full range of processes and mechanisms associated with a society’s attempts to come to terms with a legacy of large-scale past abuses, in order to ensure accountability, serve justice and achieve reconciliation” (United Nations 2004).

government. And those members of society who manifested discontent were systematically repressed.

This system began to erode during the 1980s and 1990s when the government's neoliberal policies and blatant electoral fraud alienated people and facilitated the country's transition towards a more trustworthy electoral democracy, even though one still prone to manipulation. This transition reached its apex in 2000 when the PRI was defeated for the first time in presidential elections by PAN's Vicente Fox. Fox came to power after a campaign in which he railed against the PRI's corporatist and clientelist system, promising to bring it to an end. In the economic arena, he pledged to continue the PRI's recently adopted free-market orthodoxy, though more effectively.

3.1.1 POLITICS DURING THE TWO PAN PRESIDENCIES

The PAN's Vicente Fox won the 2000 presidential election decisively over the PRI candidate 42.5 percent vs. 36.11 percent, but the votes for congress were divided more evenly between these two parties: in the lower house the PRI won 209 seats, the PAN 207 and the PRD 54. The 128 member Senate had 60 representatives from the PRI, 46 from the PAN, 15 from PRD, and 7 from other minor parties. These numbers make it clear that a significant number of people who voted for parties other than the PAN on the non-presidential races, were nonetheless convinced by Fox's "useful vote" campaign and checked the PAN column in the presidential ballot. For these voters, it likely was a more important goal to end the PRI's seventy year-old rule than to advance any particular candidate or party. Defeating the PRI had become synonymous with democratization, and with that the hope for increased accountability and an end of the clientelist system.

Setting up the first post-PRI government

In contrast to political transitions in other places, in which a majority of society in conjunction with the new government sought to dismantle or reform the structures of the previous regime, in the Mexican case the Fox administration did not push for similar reforms. The PRI, which remained the strongest political force in congress would have been able to stall any attempt at meaningful reform. And many members of civil society organizations either joined the new administration, or were so surprised and disenchanted by the electoral results that they could not mount enough strength to fight effectively for deeper reforms (Bizberg 2007, 786-8).

The presidency of Vicente Fox started with a mix of skepticism and cautious hope for many who spent the previous two decades building a movement for a democratic transition. For some, a Fox presidency was just the consolidation of the *PRIAN*—name that the opposition used since the Salinas presidency to describe the political composite of PRI and PAN—meaning a two-party system that under the masquerade of electoral democracy would make people believe they can choose who governs without realizing that the resulting policies would continue to benefit the same economic and political elites⁵⁸. For others on the left and center, despite their ideological differences with Fox and the PAN, the PRI defeat was a historic opportunity and they considered that it was necessary to seize the moment and make the best of it (Hevia de la Jara 2009). This is the case of many PRD members as well as various civil society leaders who left

⁵⁸ This system has been increasingly becoming similar to a *partidocracia* or partyarchy of the style that Coppedge (1994b) describes in Venezuela after the *Punto Fijo* pact.

their NGOs⁵⁹ and joined the new government with the hope—and Fox’s promise—that their expertise would influence the design and success of the new government’s policies (Natal 2007).

The Fox administration invited some members of civil society to join his team in the area of social development (Teichman 2009, 73), but this did not in fact result in more collaboration between government and civil society, or in the strengthening of the latter. Civil society organizations were used less as partners and more as a source of professional expertise in areas in which the PRI usually relied on its corporatist organizations, but for which the PAN did not have enough experienced members (Bizberg 2007, 795). This situation weakened organizations, as they lost important leaders developed through decades of activism. In addition, the use of some NGOs as government subcontractors for social programs, while the majority of civil society organizations still lacked venues for significant interlocution with the government, resulted in divisions within civil society and within the popular movements that, ironically, had been significant players in making possible the 2000 political transition (Bizberg 2007, 796).

Fox’s first policy attempts and public discontent

Fox’s supporters expected him to continue and consolidate the political and economic reforms that took place in Mexico during the preceding administrations, but he fell short of doing it. Ideologically, he was in line with the prevalent neoliberal economic ideology, just like the PAN and mainstream PRI technocrats. However, he never seemed very committed to push for the political or economic reform aspects of his agenda. In fact, electoral reform and economic liberalization took place as reactions to specific domestic and foreign events, such as the electoral finance scandals of 2000 or the flight of manufacturing to China, and not as the result of

⁵⁹ One example of this is the case of Rogelio Gómez Hermosillo, long term social activist and one of the founders of important coalitions such as Alianza Cívica, Convergencia, and the Vamos Foundation. He became part of the Fox team as director of the social development program *Oportunidades* (Gómez Hermosillo 2014).

planning. In retrospect, the administration did not forcefully push for any significant economic reforms to the extent it had promised to do (Rubio and Purcell 2004, vii-viii).

Fox tried to circumvent the political opposition in a congress in which his party did not have a governing majority, by connecting directly with the public through the media in the belief that his personality had been a crucial aspect of his electoral victory. He underestimated the political independence of the media and opened himself to be better known and scrutinized. This allowed the public to know more about the President’s electoral campaign’s shady financing⁶⁰, about the dubious contracts awarded to his wife’s family members⁶¹, and about his cowboy-style authoritarian way of dealing with people who disagreed with him⁶².

At the same time, Fox seemed uninterested in or incapable of advancing legislation on the issues he had promised during the presidential campaign. All this affected gravely the public perception about the new president. According to polls, he was perceived as rude, elitist, detached, and unable to lead. By 2003 Fox’s approval numbers had collapsed to around half of what they were in 2000 in the areas of closeness to people, care for the dispossessed, tolerance and honesty (Table 3.1.1).

Table 3.1.1. Assessment of President Fox’s character related qualities, 2000–2003.

Character-related qualities	% Good			
	2000	2001	2002	2003
Close to the people	71	49	41	37
Care for the dispossessed	64	33	31	30
Tolerance to criticism	63	46	41	34
Honesty	61	47	34	31

Source: Consulta Mitofsky (2003)

⁶⁰ See ‘Amigos de Fox’ in Klesner (2001b) and Eisenstadt and Poiré (2005).

⁶¹ More about Marta Sahagún de Fox in Graebner (2010) and Hernandez (2006) ; On FBI fraud charges against Marta Sahagún’s stepson see Hernández (2012).

⁶² Vicente Fox’s famous authoritarian attitudes and insensitive comments include insults to women (Mendez and Ballinas 2006), African-Americans (CNN 2005), or even presidents of countries with whom he had ideological differences (BBC Mundo 2013).

After a brief decline from 5.1 in 2000 to 4.9 percent in 2001, public perception that corruption was the main problem affecting the country increased to 16.5 percent by 2003, the mid-term of the Fox administration. During the same period, polling on his performance-related qualities dropped to almost a third on questions of leadership, problem-solving ability and experience. This declining trend continued until 2005, as seen in Table 3.1.2 (Consulta Mitofsky 2003; Loeza 2006, 19-20).

Table 3.1.2. Assessment of President Fox’s leadership related qualities, 2000–2005.

Performance-related qualities	% Good				
	2000	2001	2002	2003	2005
Leadership to govern the country	68.8	38.9	31.6	28.0	18.7
Capable to solve problems	66.3	37.5	30.0	26.6	19.3
Experience to govern	59.7	37.3	26.8	22.8	19.6

Source: Consulta Mitofsky (2003, 2014).

Increased transparency, lack of accountability

In the political arena, probably the main step the Fox administration took towards fulfilling expectations for reform was the 2002 passing of the Federal Law on Transparency and Access to the Government’s Public Information, also known as the Transparency Law, which included the creation of the *Instituto Federal de Acceso a la Información* (Federal Information Access Institute) or IFAI, as its main operational component. Just as in the case of electoral reform, transparency and accountability were issues initially raised through an extensive campaign by civil society actors, specifically those who were part of *Poder Ciudadano* during the 2000 election, and subsequently embraced by all political parties.

The Transparency Law required public officials and agencies to implement the principle of maximum disclosure in the management of public information, and established mechanisms for its implementation. According to a Human Rights Watch report (2006) the law was effective

during its first years in increasing dramatically compliance with information requests, increasing from 32 percent in 2003 to over 90 percent in 2005. It provided unprecedented access to information exposing corruption at all levels in a diverse array of public agencies, from U.S. \$1.9 million misallocated in a HIV/AIDS prevention program, and U.S. \$3 million diverted from this program to a conservative pro-life NGO, to the identification of government employees who do not work but get paid and to corruption in the granting of concessions and licenses. The Transparency Law was a significant initial attempt to increase transparency. Unfortunately it was not followed by a similar effort to bring about accountability on crimes and corruption, both past and current, which were unveiled through the law's implementation.

Transitional justice is one of the areas in which high expectations quickly gave way to frustration with the new government's lack of accountability for past crimes. Fox campaigned on the need to clean the Mexican government from corrupt officials he equated to snakes and rodents. Once he became president, Fox continued raising expectations that his administration was going to bring to justice those who committed repression and human rights violations during the PRI years, especially during the darkest period of the 1970's Dirty War⁶³. He named a special prosecutor to investigate the role played by the government during that period, whose office issued an unprecedented and extensive report based on secret documents released under the recent Transparency Law, unveiling in detail the horrors committed during those years.

At last, the popular demand for truth about this period was fulfilled. It seemed like the demand for justice was also going to be addressed when the prosecutor brought charges against various political figures, including a former president and his minister of the interior. Nonetheless, there was never an actual indictment or punishment of any sort. On the contrary and without further explanation, in 2006 Fox ordered the Special Prosecutor's Office to be

⁶³ See Chapter 2 "Historical Context", p.11.

closed, effectively dismantling any chance for justice to be made on this topic during his administration. This outcome left members of the civil society who had been involved in the process and the public at large with the perception that it all had been just a political charade, and in some ways they were even angrier than before the evidence had been released through the Transparency Law (Aguayo Quezada and Treviño Rangel 2006). Such is the example of human rights defender and Senator Rosario Ibarra, whose son is was “disappeared” in the 1960s, and who expressed deep disappointment at the lack of prosecution that made her suspicious about possible negotiations between Fox and the PRI (Ballinas 2007).

Increased transparency combined with a contradictory lack of accountability was also Fox’s trademark on other human rights issues during his administration. The president made promises and disclosed information in an unprecedented way about conflictive situations, only to be followed by governmental inaction and even obstructionism. Such is the case of a highly-publicized open invitation delivered at the UN General Assembly for international human rights observers to visit previously banned conflict areas, or the creation of a special federal commissioner for human rights. A few years later, when these national and international actors were raising questions about the Fox administration’s performance on human rights cases, the government dismissed their findings and harassed them. In this way, the president who promised *change* did not take action on critical issues, such as impunity in the cases of hundreds of assassinated women in Ciudad Juárez, torture of environmental indigenous activists in Guerrero, and instances of repression and rape by federal police agents against demonstrators in Atenco and teachers in Oaxaca (Bizberg 2007, 794-5; Human Rights Watch 2006).

The 2006 election and the weakening of the electoral system

If the change promised by the Fox administration had been disappointing, particularly in the area of accountability and changing relationships with society, some still hoped that having a ‘consolidated democracy’ was significant enough of an achievement to be worth having elected him (Rubio and Purcell 2004). Those who supported the government believed that the traditional grasp on vulnerable voters that it had during the PRI years had been broken. They thought that now their vote would be free, that parties could compete under equal conditions, and that all this was safeguarded by the Mexican electoral institution that had earned international respect and praise: the IFE. Unfortunately, the IFE at the end of Fox’s sexenio was not the same as when it oversaw the great 2000 political transition.

Probably one of the main casualties of the 2006 election was IFE’s legitimacy, tarnished due to a variety of reasons. The first event that critically affected the IFE’s designed impartiality was the PRI and PAN’s decision to exclude the PRD from the selection of electoral councilmembers in 2003, which was contrary to the spirit of the 1996 reform. This reform created a consensus-veto system which depended on full agreement among all the political parties for the selection of councilmembers. However, in 2003, instead of allowing for such consensus to occur, legislators of PRI and PAN took advantage of their majority in Congress to install an IFE council that did not include any member suggested or approved by PRD (Camp 2012, 215). This agreement between PRI and PAN was negotiated by Elba Esther Gordillo, long-time chieftain of the powerful corporatist teachers’ union, who at the time was serving as PRI’s legislative leader.

A long-time *priísta*, Gordillo had a conflictive relationship with party leader—and future 2006 presidential candidate—Roberto Madrazo, and so she made sure to select electoral

councilmembers who were loyal to her rather than to the PRI (Erikson 2005). The same year that she selected the PRI's representatives to the IFE, the party expelled her due to her supporting role in getting Fox's fiscal reform passed in Congress, which the PRI opposed. She went on to create her own *Partido Nueva Alianza* (New Alliance Party) or PANAL, but her actions towards and during the 2006 election were in reality supportive of the PAN and its candidate, Felipe Calderón. Gordillo's alliance meant that Calderón had the support of eight out of the nine electoral council members of IFE, a situation that compromised the body's credibility during and after the 2006 election (Ackerman 2007a).

In clear support for the PAN, Elba Esther Gordillo also boycotted Jorge Castañeda's independent candidacy for president⁶⁴. While making him believe that she would support him, Gordillo asked her constituents to vote for PANAL in local and congress races but to vote for the PAN candidate for president. As she herself revealed, the negotiations for this support included the following: that a future Calderón administration would concede to her the control of the federal public workers health system ISSSTE; to be able to choose the Elementary Education Secretary director; and increase unattached funds for the teachers' union (Castañeda 2011). Gordillo had great access to political and economic power during the second PAN presidency, but she was convicted and imprisoned in 2013 under the new PRI administration, accused of embezzlement during her tenure as leader of the corporatist teachers' union (Archibold and Malkin 2013). As this embezzlement had taken place also during the many years she helped the PRI to win elections and control workers, her conviction is perceived as this party's political revenge for her switching sides to the PAN during the Fox and Calderón administrations. In

⁶⁴ Jorge Castañeda (2011) argues that the reason PANAL did not support his independent presidential bid in 2006, even though he already had a backroom deal with Gordillo for that, was due to her support for Fox. According to Castañeda, Fox believed Castañeda's candidacy would have taken away votes from the PAN, something that could have actually changed the course of the election given the slim margin of difference under which the election was decided.

2013, *Forbes* magazine listed her as one of the ten most corrupt Mexicans of that year (Estevez 2013).

The legitimacy of the 2006 election became easily compromised when the percentage of difference was significantly small at 0.56 percent, in addition to a number of unclear situations alleged to possibly have impacted the election's result. For example, IFE's computer system was developed by Calderón's brother-in-law's company Hildebrando, which before the election was already under legal scrutiny due to the shady way in which it won government contracts. In particular, one of those contracts was the computer system for SEDESOL, the agency managing all the anti-poverty programs and which provided Hildebrando with all the necessary information to target voters dependent on government programs (Béjar 2007, 12). There is no direct evidence that such electoral use of this information took place. However, the government reluctance to address the question of a possible conflict of interest fed the public perception that social program data may have been misused during the election.

The IFE's behavior after the election just increased suspicion rather than trust. It all started with its refusal to publicize the official counts on election night, contrary to what it had promised before, and bringing back the ghosts of the 1988 election. This was followed by an overnight and unclear count process performed by the IFE's Partial Electoral Results Program or PREP, which early in the morning after the election granted Calderón a razor thin victory of 0.56 percent. That same day, the opposition's lawyers detected thousands of irregularities favoring Calderón, just by comparing the information entered in the electronic PREP program and the official tallies published by law outside of each individual poll site⁶⁵.

⁶⁵ For detailed descriptions of the irregularities found during the 2006 Mexican election, particularly with the counting program, see Klesner (2007) and Collins and Holland (2006).

In order to clarify the election, López Obrador's team requested a full recount, but the electoral authorities refused to perform it despite the slim difference in votes between the two main candidates and despite the increasing number of voting irregularities that were discovered in the days after the election. The IFE allowed for a partial recount to take place, which showed enough errors against the PRD and in favor of the PAN that the election's final result would probably have tilted in favor of the PRD in a full recount (Weisbrot, Sandoval, and Paredes-Drouet 2006). Nonetheless, despite this, the IFE inexplicably refused to perform a full recount that would have clarified the situation and given full legitimacy to the election.

The final action by the electoral institutions that continued to erode trust in the political environment was the legal decision issued by the Electoral Tribunal on this case, recognizing the existence of incidents of PRI-style fraud in benefit of the PAN candidate but concluding that neither that nor the discrepancies found in the partial recount results constituted sufficient evidence to alter the election's result. Thus, it blocked an opportunity to increase certainty in the electoral result and the victor's legitimacy (Wuhs 2008, 143-50). Five years later, once the partisanship of the election had settled, a poll showed that half of all Mexicans believed that there had been fraud in the 2006 election (De las Heras 2011).

The post-election public sense that Felipe Calderón lacked legitimacy to be president continued to build, as peaceful protest took Mexico City's main avenue for weeks, and support from his traditional allies, particularly the Catholic Church and business people, was diminishing before he was even inaugurated. In preparation for Calderón's inauguration, street protests impeded access to Congress and inside the building PAN and PRD members were having fist fights for control of the podium. In an unprecedented move, Fox gave Calderón the presidential sash on TV one day before the scheduled ceremony, officially transferring power in this way due

to concerns of what could actually happen on inauguration day. On December 1st, Fox and the PAN and PRI hierarchies moved the traditional inauguration ceremony to a theater for the first time in history, without informing the PRD. There, under shouts of “¡espurio! (illegitimate)” from the opposition congress members who made it to the place on time, the overall ceremony lasted no more than five minutes, the shortest in history. Calderón was officially president, but as a sign of the disrupted nature of his election, López Obrador was also symbolically inaugurated by his supporters as “legitimate President of Mexico,” promising to continue challenging what he saw as the imposition of a president and his agenda (BBC News 2006; CNN México 2012; Darraj 2009; Ross 2009).

For some, such as Eisenstadt⁶⁶, the left’s claims of electoral fraud were “ungrounded in the post-1996 era of free and competitive elections and autonomous electoral institutions” (2007, 41). Eisenstadt and Poiré (Eisenstadt 2007; Eisenstadt and Poiré 2006) argue that AMLO’s⁶⁷ post-electoral mobilization was just an attempt to push for a *concertación*⁶⁸, notwithstanding the fact that the leftist leader has a well-known history of not conceding to offers from those in power (Guzmán and Vergara 2012; Ortíz Pinchetti 2006). In their analysis of the 2006 election, Eisenstadt and Poiré suggest that, while flawed on some aspects such as the need to make the electoral and pre-electoral playing field more leveled, the election was fair and the result accurate. In both articles, Eisenstadt and Poiré argue that the electoral institutions were trustworthy given the significant gains in building legitimacy that they had achieved in the previous decade. On this basis, they believe the electoral court’s assertion that there was no

⁶⁶ Contribution to the 2007 Symposium “The 2006 Mexican Election and its Aftermath” in the journal *PS: Political Science & Politics*.

⁶⁷ AMLO (pronounced *ahm-loh*) are Andrés Manuel López Obrador initials and nickname.

⁶⁸ *Concertaciones* is the Mexican name for the type of post-electoral bargaining that the PAN and PRI had during the 1990s, in which the PRI conceded some small victories to the PAN in exchange for this party not to make too much of a deal of PRI’s electoral fraud in more significant contests or to support conflictive policies (Eisenstadt 2007, 39).

evidence in the partial recount of deliberate and determinant electoral fraud, but do not offer an analysis of such recount.

Some, such as Pastor (2006), agree with Eisenstadt and Poiré in assessing that the election's final result is fair and accurate, but disagree in their interpretation of why AMLO refused to accept the results, stating that it was not unreasonable to believe that a full recount could have changed the results, given the circumstances already explained here. Because of this, Pastor argues, a full recount would have been positive not only to legitimize the Calderón presidency, but also the electoral institution and it would have helped to distinguish which complaints against the electoral process were substantiated and merited to be reviewed and corrected.

Similarly, Ackerman (2007a) states that making the 2006 election a clear and transparent one was critical for democratic consolidation, to demonstrate that the hope for deep transformation of the Mexican political system had in fact taken place in 2000 and that the time of shady elections had ended along with the PRI's seventy-year-old "perfect dictatorship"⁶⁹ The end result, from the maneuvers at IFE, to Calderón's election, to his hastily improvised inauguration, left a sense not of democratic consolidation but of the continuation of the old style of government but now under a PRI-PAN *partyarchy*⁷⁰ system (Cárdenas Gracia 2009).

Calderón's war

The 2006 election was mostly a case of a candidate whose strength derived from a grassroots base—López Obrador—versus a candidate whose power came mostly from the economic and political elites—Felipe Calderón. However, Calderón had already lost so much of

⁶⁹ Way in which the PRI-government system was famously described by Nobel Prize winner Mario Vargas Llosa (El País 1990).

⁷⁰ A political system in which two or more parties agree to share power periodically through competitive elections under a compromise to keep their policy platforms significantly similar, leaving outside of the system alternative options. A deeper discussion on this concept can be found in the Literature Review in Chapter 1.

the support of this sector by the time of his inauguration that he resorted to allying himself with the remaining source of significant power in the country: the military. Only four days into his presidency, Felipe Calderón promised to increase significantly the army's budget and powers and initiate a full attack on the country's drug cartels, an issue that had not been particularly significant at the time and one that his campaign platform never prioritized. For some, Calderón's war may have seemed a useful option for him to gain legitimacy as a "war President." However, the administration's lack of planning (Castañeda 2010; Human Rights Watch 2011) and of understanding how the PRI-governments' inexplicit policy of non-confrontation with some cartels⁷¹ had kept public peace for decades (O'Neil 2009), resulted in a confrontation that spiraled out of control and left a death toll of between 70,000 and 80,000 civilians by the end of his administration in 2012 (Cave 2012; CNN México 2013; Vergara 2012). This conflict became the feature that characterized the Calderón presidency.

The exponential growth of the drug cartels during the first decade of the twenty-first century was significantly possible because of the hordes of unemployed, particularly youth, who were left without productive opportunities after NAFTA and the economic recessions, and who therefore focused their energies on petty crime, drugs, and prostitution. In some geographic areas, they were taken by the local cartels, which offered them a sort of rehabilitation and reintegration in exchange for serving as drug couriers (Grayson 2010, iii-iv). In addition to this, the increased militarization that the cartels experienced in response to the government's offensive facilitated their control of the majority of U.S.-bound drug trade, and accelerated their professionalization, as was the case of the Zetas (O'Neil 2009).

⁷¹ For in-depth analyses of the anti-drug strategy used by various PRI governments since the 1970s which often included taking sides in inter-cartel conflict in order to keep stability see Hernandez's *Narcoland: The Mexican Drug Lords and Their Godfathers* (2013); Castañeda's *Mexico's Failed Drug War* (2010); Grillo's *El Narco: The Bloody Rise of Mexican Drug Cartels* (2013).

The Mexican army was not prepared to confront the drug cartels because the political consensus since the presidency of Lázaro Cárdenas had been to keep a weak and disorganized military in order not to ever face the risk of a coup (Castañeda 2010). For this reason, the enforcement agents are often overpowered. As Barry R. McCaffrey, former director of the U.S. Office of National Drug Control Policy testified in 2009, elements of the police and army were “tortured, murdered and their decapitated bodies publicly left on display” (Kellner and Pipitone 2010, 31). In order to confront the drug cartel threat, the U.S. provided México and other Central American countries with a \$1.4 billion package to counter the cartels, in what the government called the Mérida Initiative, but the flow of drugs to the north and the violence in Mexico continued.

During the Calderón administration’s drug war, the violence was not contained to its traditional locus among competing cartels, and between these and the government. Instead, it spilled into the society at large in ways that were not familiar for Mexicans until then. Drug cartels engaged in terrorist acts that were carried out in public plazas, in order to challenge the hegemony of another local cartel. Public actors who criticized the cartels’ actions were killed, tortured, or disappeared. These include sixty-seven journalists and many local officials. In some places women and even children were victims of horrifying and unnecessary acts that demonstrate a cultural change in the way violence was exercised (Molzahn, Ríos, and Shirk 2012).

The drug war showed the extent of corruption at all levels of government, and drug trade organizations achieved operational control of certain geographic areas. However, corruption was not only attractive for public officials but in some cases necessary for survival, as many who did not cooperate were killed, leaving in some villages the jobs of sheriff or mayor vacant for

extended periods of time (Shirk 2011). In 2013, *Forbes* magazine issued a list of the ten most corrupt Mexicans, which included former Federal Public Security secretary Genaro García Luna, the man in charge of implementing President Calderón's anti-organized crime strategy (Estevez 2013).

Security forces have not only failed at combating the drug cartels and organized crime, but they have instead increased the perpetration of grave human rights violations such as torture, forced disappearances, and extrajudicial killings. This behavior by the government actors in charge of bringing peace only "exacerbated a climate of violence, lawlessness and fear in many parts of the country," according to Human Rights Watch. Complaints of human rights abuses by the army against civilians rose from 691 in the period 2003-2006 to 4,803 from 2007-2010. The response by the Calderón administration to these accusations was indifference, attacks on the human rights agencies and organizations working on these cases, or blaming the victims. This situation just generated further distrust in government's capacity to solve the drug violence issue (Human Rights Watch 2011, 5-17).

Moreover, a 2009 report by the Latin American Commission on Drugs and Democracy, led by former presidents Gaviria, Cardoso and Zedillo from Colombia, Brazil and Mexico, respectively, found that the war on drugs in Latin America resulted in increases in organized crime and corruption of public servants (Latin American Commission on Drugs and Democracy 2009). A 2013 UNDP report argues that heavy hand policies implemented in Mexico and other Latin American countries on the issue of insecurity have failed and promoted an escalation of violence, while countries with policies focused on prevention and reinsertion have lowered criminal activity (UNDP 2013).

In areas of high violence such as the state of Michoacán, by 2013 the local population had organized self-defense militias as last-resort option to the army's unwillingness to take on the *Caballeros Templarios* (Knights Templar) cartel, which openly extorted and terrorized the population until a self-defense community militia confronted them (BBC News 2014; Partlow 2014).

Corruption

Corruption during the Calderón administration was not only an issue related to the drug war. According to a 2001 report, Mexicans paid bribes for 10.6 out of every 100 government transactions, and the number continued virtually unchanged until 2012. Mexican families spent approximately \$27 million pesos (US \$2 million) on bribes in 2007. This is a situation that affected particularly those most in need: an average of 8 percent was paid from the general public's income, and from the poorest families' income it was 18 percent (Sandoval Ballesteros 2013, fn.137).

A 2014 report from the Mexican *Auditoría Superior de la Federación* or ASF, equivalent to the U.S.'s General Accountability Office (GAO), shows that MX \$285 billion (roughly equivalent to US \$21 billion) were unaccounted for just out of the incurred in debt during the six years of the Calderón administration (Verusco 2014b). In 2012 alone, more than MX \$175 billion (US \$13 billion) were unaccounted for (Verusco 2014a). That same year, in which federal elections were held, the social assistance programs experienced significant differences between what was budgeted for and what was accounted for. For example, according to the ASF the Oportunidades program has more than MX \$1.1 billion (US \$830 million) in funds that the program cannot account for (Martínez Huerta 2014).

The return of the PRI

The PRI candidate Enrique Peña Nieto won the 2012 election with significant help from Televisa, the largest TV network in Mexico. Support included financing, favorable polling, and years of biased news reporting building up the candidate's favorable image while promoting negative aspects and rumors about his main opponent Andrés Manuel López Obrador, who ran for the presidency representing the left for a second time. The media conglomerate had such a significant role in this election due to a 2007 electoral reform that curbed the time, ways and amounts of media coverage electoral campaigns could buy. However, while the official campaign publicity was fair, the IFE did nothing to challenge the outright publicity Televisa did for Peña Nieto as part of its regular newscasts (Flores-Macías 2013).

Josefina Vásquez Mota, the PAN's candidate, disappeared as a non-contender in part due to the bad reputation the party had earned through the Calderón administration, and in part because neither Calderón nor the party really supported her efforts. As an example of the disarray in which the PAN was left by the Calderón presidency, and the realignment of the political elites towards the PRI candidate who would represent them, even former President Vicente Fox urged his supporters to vote for the PRI (Archibold 2012).

In this way, the twelve year political transition that started with the 2000 election of Vicente Fox came to a close. The following section analyzes the extent to which the expectations people had for change during that period were realized.

3.1.2 LIMITED DISMANTLING OF CLIENTELISM

The political transition that took place in Mexico in 2000 raised expectations that the nature of national politics was going to change. The attacks Vicente Fox directed at the

corruption and clientelism that characterized the PRI governments led many to believe that he would finally bring an end to this practices. Specifically, voters hoped that the relationship of the government with corporatist structures and the economic elites would become transparent and clean, that social programs would be implemented on the basis of need and not with electoral purposes, and that the electoral institutions would continue to strengthen their autonomy and credibility. This section analyzes the extent to which these hopes for increased accountability and the elimination of clientelism were realized, or not, in Mexico in the two non-PRI administrations that followed the political transition of 2000.

Relations of the new government with the old corporatist structures and the economic elites

A critical aspect of deepening a democracy⁷² involves changing the relationship between government and the various sectors of society. Nonetheless, the electoral focus on the transition of 2000 overshadowed the importance of deeper demands that addressed the core of the undemocratic nature of Mexican politics at the time. The achievement of democratic form blinded observers to the need for democratic substance. For this reason, even after the PRI's defeat, traditional forms of clientelist control of labor unions, of urban and peasant organizations, and of social and economically vulnerable populations, remained mostly unchallenged. While some aspects of clientelism changed during this time, the end result continued the same in part because of political rearrangements that kept clientelist mechanisms in place, and in part because of lack of enforcement that allowed for clientelist practices to continue despite institutional changes oriented their elimination.

Labor relations are one area in which the Fox administration's initial democratic opening ended on a clientelist rearrangement. During the first year of his presidency, Vicente Fox relaxed

⁷² See footnote 1 of this chapter.

some regulations that used to limit the role of labor unions during the previous administrations. In this way, he effectively facilitated their bargaining power which in turn resulted in an increase in unionized workers' purchasing power. However, during its second year, the new government returned to the practices of exclusion of independent unions from any discussion on labor reform, and the changes that were implemented were oriented to weaken democracy within the unions, forgive cases of corruption in previous administrations, and to reset the corporatist relationship of the official unions with the presidency, now in PAN's hands.

A key example of this relationship is the labor union of the state's oil company PEMEX (Mexican Petroleum). The union faced serious corruption charges and attempts at prosecution in the beginning of the Fox administration, because its leaders were accused of diverting at least U.S. \$40 million from the workers' pension fund towards the PRI's 2000 presidential campaign, an affair popularly known as *Pemexgate*⁷³. The main suspect, union leader Carlos Romero Deschamps was elected Senator in 2000 and therefore had parliamentary immunity that prosecutors tried to strip from him without success. The second leading suspect, Rogelio Montemayor who was PEMEX's director from 1999 to 2000, fled to Texas defying Fox to extradite him. The priísta leaders of the 80,000-member union, still in power despite worker discontent and thanks to repression and fraud practices in the union's internal elections, responded in 2002 with the threat of a strike, masquerading their political revenge as demands for a wage-increase. This situation created an ideal opening for the union to negotiate support with the Fox administration, particularly on its efforts to liberalize energy production. The result of the negotiation was that no charges were filed against the union and its leaders (Córdova Vianello and Murayama Rendón 2006; Weiner 2002). On the contrary, Carlos Romero

⁷³ For an in-depth description in Spanish of the *Pemexgate* affair see Córdova Vianello and Murayama Rendón (2006).

Deschamps continued to amass a significant fortune through PEMEX during the twelve years of the PAN administrations. He is showcased in Forbes magazine's 2013 list of the ten most corrupt Mexicans (Estevez 2013).

Another significant case of clientelist practices adopted by the Fox administration can be seen in its alliance with the teachers' union SNTE (*Sindicato Nacional de Trabajadores de la Educación*). The union's leader, the *priísta* Elba Esther Gordillo, made a deal to support Fox's fiscal agenda in exchange for the government's help in containing and repressing a teacher protest led by the SNTE's rival leftist union CNTE (*Coordinadora Nacional de Trabajadores de la Educación*) in the state of Oaxaca (Ackerman 2007a). Teachers affiliated with the CNTE went on strike in May 2006 demanding wage increases. They were repressed by the Oaxaca state police, resulting in the death of one protester by police gunfire. A larger social movement developed after this, demanding the resignation of the state governor and establishing an encampment in Oaxaca City's central square that lasted for five months. In October, President Fox sent federal troops to repress the movement, in an operation plagued by human rights violations that included arbitrary detentions, ill treatment, and torture (Amnesty International 2007). As discussed in the Political Context section of this chapter, around the same time, Mrs. Gordillo withdrew from the PRI and became a key electoral ally of the PAN.

In both PEMEX and the SNTE's cases, government-aligned, or *charro*⁷⁴ union leaders showed no reluctance in reorganizing their allegiances to the new PAN government in exchange for retaining the leverage they had had with PRI governments. And neither did Vicente Fox

⁷⁴ A *charro leader* is a term used in Mexico to describe union leaders who accommodate to the government and accumulate wealth and power in exchange for keeping order and promoting support for the regime within the union (De la Garza Toledo 1991). This concept became widely used after the *charrazo*, a 1948 railroad workers' repression and subsequent transformation of the union into a government-friendly entity by union leader Díaz de León, AKA *el charro* (Roxborough 1986).

refrain from establishing with them the kind of dubious alliances he had criticized during the previous PRI administrations.

The peasant organizations' case was no different. In late 2002, mass demonstrations of a new coalition called *El Campo No Aguanta Más* (The Countryside Cannot Take It Anymore) including independent and *ex-oficialista*⁷⁵ organizations, demanded the cancellation of NAFTA provisions that would remove protections from some agricultural products in 2003 and fully allow the import of corn and beans in 2008. This led in April of 2003 to a highly publicized pact between these organizations and the Fox administration for increased investment in agriculture, including a \$215 million emergency fund and a promise to expand Procampo's coverage.

The Procampo agreement was used to portray an improved relationship with peasants. However, independent farmers and consumers were disappointed when it was announced that the protection of corn and bean production affected by NAFTA, a primary issue raised in consultation meetings between the government and the organizations, was not included in the final version of the pact. This was possible because the *ex-oficialista* organizations signed the pact, giving the administration leverage in the mid-term elections and focusing the pact on the short-term, immediate incentive goals these organizations had, as opposed to the left-leaning independent organizations' long-term goal of restructuring NAFTA,. In the end, the federal budget for agriculture was still cut by 5 percent in 2004 and the government continued en route to eliminate tariffs on yellow corn (Bizberg 2007, 801-6).

In addition, contrary to the expectations created with the pact, most of the Procampo subsidy money continued to be destined to a few producers. This situation continued also during the Calderón administration, with up to 80 percent of the funds going to 20 percent of registered

⁷⁵ *Oficialista* is an adjective used in Mexico during the seventy-year PRI government to describe organizations that, while nominally independent, were in fact part of the corporatist machine of the party in power.

farmers in 2010 (Wilkinson 2010). In addition, the few parts of the program designed to help small farmers were implemented with the clientelist style of the past PRI governments: delaying delivery of financing; reducing significantly the amounts from what was originally promised; granting support exclusively to *PANistas* groups—hundreds of them recently created to benefit from these programs and to sway people away from other parties; and conditioning delivery of services or synchronizing them with the electoral calendar to ensure a positive rural vote. This situation highlights one of the main problems in relation to social assistance and political clientelism in rural areas: badly designed and poorly implemented programs to reduce poverty delivered scarce resources to the poorest families for electoral purposes.

Oportunidades Human Development Program:

Poverty reduction, institutional reform, and clientelist continuity

With the election of a president from a party different from the PRI, voters had expectations for improvements in their quality of life. These improvements were linked to hopes for a stronger economy, but also for social programs that would be more effective at reducing the country's high poverty and inequality without being manipulated for electoral purposes, which the PRI had done for decades. The main social program under Fox, better known as *Oportunidades*, was managed by former members of the civil society. They increased coverage and implemented safeguards within the program in order to curb clientelism and corruption. The program featured significant quantitative achievements, though questions remained about its impact and about a social policy that sees people in need as users and not as rights holders.

Fox liked the market approach of Zedillo's conditional cash transfer (CCT) program PROGRESA, and kept it as his core anti-poverty initiative. To coordinate it, he invited Rogelio

Gómez Hermosillo, a long-time civil society leader (see fn. 2), who built a working team with other former members of civil organizations, a group that Hevia de la Jara and Jonathan Fox call the *civic current* within the Fox administration. This group tried to modify the program and imprint it with a vision of rights (Fox 2007; Hevia de la Jara 2007, 6-8). They changed its name to *Programa de Desarrollo Humano Oportunidades* (Human Development Program Opportunities), and got its budget increased in order to provide coverage for more eligible households.

Oportunidades' main goal was to facilitate the satisfaction of basic needs in vulnerable groups and people living in extreme poverty, particularly pregnant women and school-age children. The program did this through cash transfers conditioned mostly upon the recipient's school attendance, use of healthcare services, or food purchases. Between 1998 and 2004 the number of beneficiaries increased from 1.6 to 5 million families, mostly school and healthcare subsidy recipients. This target number of coverage remained the same during the last three years of the Fox administration and all of the Calderón administration.

The process to determine eligibility within the program consisted of two phases: first, the government decided which geographical areas needed help, based on extreme poverty conditions; and second, the program accepted requests from eligible families within that area to the extent that the budget allowed. Family eligibility was based on a point scale determined through a socio-economic survey that considered income and assets, housing characteristics, access to other programs' benefits, etc. (Pirker and Lara 2006, 10-1).

Program administrators took seriously the importance of design and evaluation. There are many program design documents and evaluations of the Oportunidades program, internal and external, in the dedicated web portal www.prospera.gob.mx/evaluacion. Program design

documents include clear quantitative goals, such as percentage increase in elementary school enrollment, that are useful to measure the program's success. According to performance evaluations found in the portal, most quantitative goals were successfully achieved, both in terms of coverage and in terms of distribution of resources, and most evaluation recommendations focused on ways to increase efficiency in the implementation of the program. A 2008 meta-evaluation of evaluations states that from 2001 to 2007 there were 23 documents containing over 80 evaluation studies of the program (SEDESOL 2008).

This same document highlights as main health achievements the following: 35 percent increase in preventative consultations in rural areas and 20 percent in urban areas within families covered by Oportunidades; reduction of 20 percent in days of illness; increase of 61 percent of women in rural areas receiving pap-tests compared to those not participating in the program; reduction of 11 percent in maternal mortality and 2 percent in infant mortality. For education, the main successes of the program include: increase of 85 percent of high-school enrollment in rural areas; reduction of 23.7 percent of high school drop-outs in urban areas; rural participants in the program showed academic progress 30 percent higher than those who are not in the program for the 15-year old students and 64 percent for 18-year old ones. The contribution of these results to the country's human development indicators are presented in Chapter 4: Quantitative Impact.

Despite the large number of evaluations Oportunidades contracted, most of the focus is on the program's stated goals and not much on important aspects related to the determination of those goals and coverage: service availability affecting the strategy's chances of success; or the long history of clientelism in the implementation of social programs and strategies to address it. The program's evaluations' disregard to these aspects may possibly be based on a predominantly

technical perspective. Nonetheless, lack of attention on these areas possibly affected the impact of the strategy in the following ways.

In terms of coverage, the fact that Oportunidades not only did not provide universal coverage, but it even stopped increasing coverage once it reached its goal of five million families, is problematic in two aspects. As a 2007 evaluation of the program explains, “the program does not have an explicit, adequate, and consistent method to quantify and determine the potential population and the target population” (Soto Romero and Mora Rivera 2008, 4-5). This results in the program not reaching enough coverage to actually achieve its ultimate goal, as it excludes hundreds of thousands of eligible families, especially in the poorest areas where need is higher.

Pirker and Serdán (2006, 34) point out that access to the program was defined under administrative and conditional criteria and not as rights, which made beneficiaries vulnerable to various actors who could manipulate their incorporation or continuation in the program, reproducing clientelist practices. Hevia de la Jara agrees, stating that the market-oriented focus of Oportunidades does not guarantee the fulfillment of rights because it addresses people as *users* or *beneficiaries*, but not as *rights holders*, which weakens their capacity to demand access and enables conditions for local-level program manipulation. In addition, the program is resistant to efforts of collective organization, in the belief that spaces for participation are used only to corporatist ends. This reduces people’s options to demand coverage and to file claims (Hevia de la Jara 2007, 316-28).

Another problem area with the strategy of using CCTs for poverty alleviation has to do with availability of services. Increasing the number of people receiving a cash transfer is not enough to increase health and education coverage. Among the situations that limited

Oportunidades' impact, according to one of the program's contracted external evaluations, is that in areas of high poverty it is not enough for families who receive a monetary incentive to promise they will see a doctor, but there need to be doctors available for them to see. In poor states like Oaxaca or Chiapas, people need to leave their communities and travel hours to distant places in order to reach the only resident medicine student available in the area. According to the evaluation, this situation explains the continued health weakness in the region's inhabitants (Sánchez López 2008, 107-16).

A similar situation takes place in the area of education. A 2007 evaluation notes that the impact of incentives towards elementary school enrollment is low because enrollment at this level was already high before the program's implementation. It recommends a review of this in order to consider allocating more resources to the higher education subsidies, where there is more need (Soto Romero and Mora Rivera 2008). However, even if more subsidies are destined for higher education students, the real issue at that level is not lack of students' interest, but the lack of public universities. There has not been any significant increase in public higher education offer since the 1970s, which results in nine out of ten public university applicants rejected for lack of space (Martínez 2012; Olivares Alonso 2015). Cash transfers for higher education may help students who also find other resources to pay for a private university, but is far from solving the issue. This is especially the case when during the two PAN presidencies there was a boom of private universities deemed as lacking the minimal educational standards suggested by the government. Institutions like these are perceived as more interested in taking economic advantage from desperate students seeking a diploma, than in the academic success of such individuals (Bezerra et al. 2011; Igartúa 2013).

The impact of Oportunidades in the social capital of small communities has also been identified as deficient. A 2006 external impact evaluation of the program found that networks of collaboration were stronger among women participating in the committees, something the report sees as positive for social capital within that group (Cruz, De la Torre, and Velázquez 2006, 15). This may be true, but unfortunately this evaluation did not assess the extent to which the program affected these networks in the community at large. Not everyone who was eligible for the program was covered, and there is anecdotal evidence of cases in which those covered were not the most in need, but the best politically connected, which negatively affected people's trust in the program (AM 2013; Fuentes Olivares 2015). This is a concern for observers who believe that the competition created within communities through the selection of beneficiaries breaks existing local networks of trust and collaboration, critical for the survival of people in high poverty areas, negatively affecting social capital where it is needed the most (Hernández Prado and Hernández Ávila 2005, 327-8).

The Fox administration's flagship social program Oportunidades achieved quantitative success. Nonetheless, the impact of the program has not been adequately evaluated and there are questions about the reach a CCT program can have when there is not the health and educational infrastructure that will allow people to have access to the services they are requested to pursue. In addition, the program's view of the poor as users as opposed to rights holders, results in lack of coverage for a significant number of eligible people. Lack of universal coverage also opens the door for possible clientelist manipulation of access to the program.

Clientelist Manipulation of Social Programs for Electoral Purposes

Since its creation during the Zedillo administration, Progres/Oportunidades had in its design the goal of reducing clientelism and electoral manipulation. The program's focus on a specific eligible cohort was intended to make it less susceptible to discretionality in the selection of beneficiaries than Salinas' PRONASOL had been. During the Fox administration, as Rogelio Gómez Hermosillo (2015) describes, the goal of the *civic current* that entered with him to coordinate the program in 2001 was to use the institutional power they had for six years to send a strong message to the public that their vote was free. In order to achieve this, the program added some features to eliminate clientelism, such as a so-called *blindaje electoral* (electoral shielding), increased transparency through multiple evaluations, and changes in the roles and power assigned to local level actors.

All these elements made Oportunidades one of the social programs in Mexico for which there is the least evidence of political manipulation (Alianza Cívica 2006; Hevia de la Jara 2007), particularly compared to most discretionary initiatives like the temporary employment program. For this same reason, the existence of significant, constant, and in some cases systematic instances of political manipulation of this program are relevant for this study. As perception surveys show, there is a disconnect between the official discourse stating that clientelism has been eradicated and the everyday reality of people who see otherwise.

The first aspect the program changed was the creation of an informational campaign that, through media advertisement and the program's public documents, emphasized that this did not belong to any one political party and that nobody could take away the benefit from a rightful beneficiary (Fox 2007, 275). According to Gómez Hermosillo (2015), this massive effort included reaching directly all the beneficiaries twice in order to ensure they received the

message. As he also describes, this information would also be given to local promoters in workshops and through flyers. He remembers attending some of these reunions and after asking participants who would be able to take the benefit away from them, people responded “nobody takes this from us!”

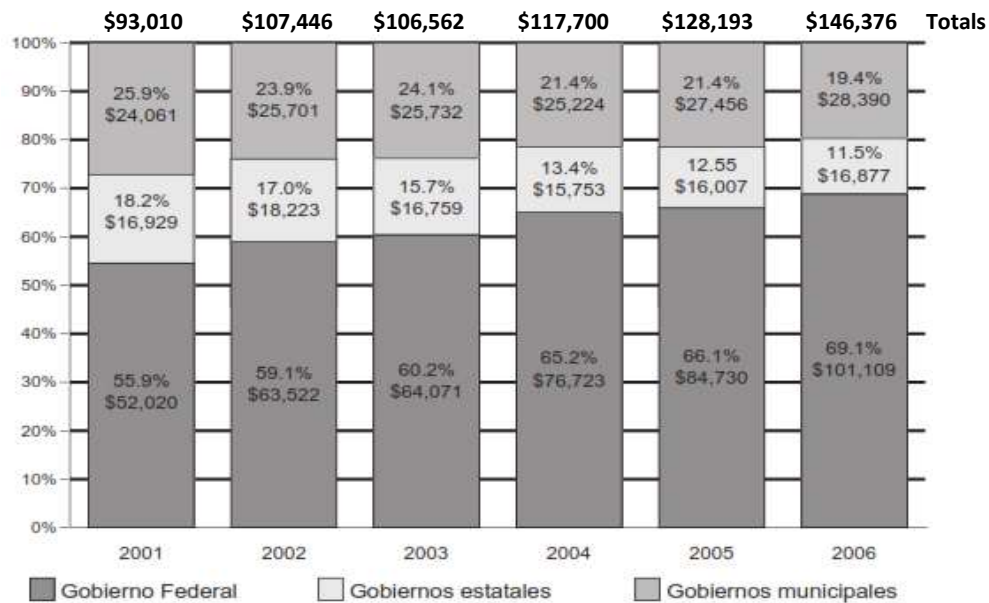
The second step to reduce clientelism was the federal government’s creation of the Electoral Shielding program. This initiative consisted of halting registration of new beneficiaries for social programs during the six months prior to an election, in order to avoid program registration to be used as political currency (Fox and Haight 2009). This initiative shows commitment from the government to create an institutional framework for dismantling electoral manipulation. Nonetheless, in a country with a busy electoral calendar in which local, municipal and state elections are not necessarily coordinated with federal election years there are plenty of opportunities for party operatives to attempt to manipulate program benefits and build their electoral strength despite the federal electoral shielding program (Merino 2006, 67).

A third aspect the new program administrators changed was to substitute local promoters with a collective figure called Community Promotion Committees (CPCs), which became beneficiaries’ direct link with the program. The idea behind this change is that CPCs were expected to be more representative of the community than often politically-appointed promoters. Nonetheless, a 2006 survey of CPC members (called *vocales*) implemented right after their training shows that “*only 22 percent* of them considered access to the program to be independent of how one votes” while 74 percent considered it to be dependent on how one votes (Fox 2007, 275-7).

It is true that electoral support for a party in power based on delivery of promised policies constitutes part of democratic accountability. Social policies that benefit people indiscriminately,

such as low-cost services depending on income or age, are transparent as the universe of eligibility is clearly defined. For Jonathan Fox (1994a), the difference between an individual's freely given support to a party that governs responsively, versus clientelist support to a party that conditions benefits, is found in the limits imposed upon beneficiaries' autonomy to choose. Programs like Oportunidades, which benefit only a slice of eligible individuals, chosen through an unclear selection process, are much less transparent and are more prone to clientelism and corruption than programs that provide universal coverage (Diaz-Cayeros, Estévez, and Magaloni 2012).

Figure 3.1.1. Poverty alleviation expense, by executor 2001-2006 (in millions of 2006 Mexican pesos)



Source: Pirker and Serdán (2006, 20).

During the Fox administration there was a constant increase in centralization of poverty alleviation expenditure, as Figure 3.1.1 shows. This fact by itself does not necessarily mean there was an electoral or clientelist strategy behind it. However, as it runs counter to the decentralizing and liberalizing ideology the president and his party the PAN usually advocated

for, and the decentralizing trend the Zedillo presidency established in this area (Rocha Menocal 2001, 517-20), the Fox administration's tendency of centralizing social programs raises questions about the rationale behind such shift.

The PAN administration's move towards centralization may have had electoral effects. Geographical distribution of the program's resources for political ends was documented since it was called Progresá and the PRI used it in the run to the 2000 presidential election. During Salinas' presidency, Pronasol resources were distributed with a clear preference to states governed by the PRI in 1990 (Molinar Horcasitas and Weldon 1994). According to Rocha Menocal, with Progresá the Zedillo government changed strategies so that resource allocation per state would not show a partisan preference, but he still manipulated the program's resources geographically by increasing the number of beneficiaries who would receive at least a small benefit in PRI-supporting areas, and reducing the number of beneficiaries in PAN-supporting areas within a same state (Rocha Menocal 2001).

Recent studies have not found evidence of State-level geographical manipulation of Oportunidades with electoral purposes (Díaz-Cayeros, Estévez, and Magaloni 2012). However, it is difficult to find studies that look at within-state geographical manipulation of the type Rocha Menocal does with Progresá. However, a study of press coverage on the use of social programs with electoral purposes by Fundar, an important Mexican accountability think-tank, reveals that there was a geographical variation in the registry of beneficiaries for these programs, in ways that would follow the electoral calendar. For example, after the 2004 state election in Guerrero and Zacatecas states, the registries were reduced—from 2,000 to only 58 beneficiaries in the latter case. Funds were then redistributed to states where elections would take place the following year, such as Mexico State, where the programs' registry grew from 6,000 to 26,000

beneficiaries. In addition, most of the beneficiaries in that state were invited from the northern areas that usually register high voter turnout, and not from the southern parts where most of the people in poverty live (Álvarez Fernández 2006, 6). The same study includes several similar cases related to the 2004 elections in four states.

Focalized inclusion of beneficiaries in the program is, in theory, an objective task based on technical criteria established by the program. However, According to Dr. Abelardo Ávila Curiel (2015), nutrition researcher and former Progresá and Oportunidades evaluator, there is significant room for manipulation in the implementation of the surveys on which the beneficiary selection process is based, resulting in many errors of inclusion and exclusion. A 2005 analysis shows that out of the 5 million beneficiary households up to 1.6 million did not fall within the official extreme poverty bracket, while 3.2 million households living in extreme poverty were not covered by the program (Boltvinik 2005). In addition, there is not a significant audit process of the surveys, which facilitates these errors. This means that a large component of inclusion in the program relies on prospective beneficiaries' own declaration of need, and on the way local survey operators' managed their implementation. This significant number of errors and broad space for political manipulation takes place, says Dr. Ávila Curiel, despite the "scandalous" cost of the surveys.

The 2011 UNDP report on Human Development in Mexico highlights that the lack of disaggregated information in the way social spending is tracked makes it difficult for citizens "to establish if the public budget operates in their benefit, if it is spent with transparency, and if it is not systematically used for corporatist or partisan interests". It argues that social spending shows very limited progressiveness overall, as most of the resources still go to municipalities with higher incomes and higher levels of human development. According to this report, while the

government's expense in education goes to the poorest people, the investment in healthcare and cash transfers go to the wealthiest, promoting inequality instead of correcting it. The authors of the report believe that this situation is caused by the high degree of discretionary power that exists in the definition of which areas need the most support. For these reasons, it is not surprising that most UNDP recommendations to correct inequality in Mexico are not about increasing resources, but about strengthening citizens' voices in policy, increasing transparency, equalizing the distribution of resources, promoting local autonomy for their use, and building strong evaluation systems and institutions that will "remove any shadow of partisan leaning" (UNDP 2011, 15-8).

The ways in which fraud takes place in Mexico have changed much from the height of the PRI years when dead people voted, trucks would carry PRI voters to multiple polling places so that they could vote as many times as possible, and ballot boxes would be stolen by armed men or stuffed with pre-filled ballots with the consent of the electoral officers. One of the many ways in which the PRI traditionally obtained electoral victories among the poorer members of the electorate was through outright vote buying and coercion. Payments in cash, gifts and services were widely documented during the many decades of PRI governments, as were also instances of voter intimidation. For example:

"There is a study by Beatriz Magaloni who used a time series of governmental spending between 1970 and 1998 in order to demonstrate the existence of increase in governmental spending right before elections were held. There are also some studies about the use of social programs with political means, among which it is possible to find the ones by Molinar and Weldon (1994), Dion (2000), Estévez *et al.* (2002) about the Solidaridad program, the study from Rocha (2001) about Progresa, the work about the Fondo Nacional de Solidaridad by Pérez Yarahuán (2002) and the study by A. Díaz-Cayeros (2004) about the FISM. All of them demonstrate through statistical models that the distribution of resources from the aforementioned programs towards the states was determined not only by technical criteria for combating poverty, but also by political criteria. That is, these studies prove the existence of the use of social programs for electoral purposes. It is important to say that the majority of these studies have used aggregate data at the state level due, mostly, to the lack of

systematic information to a more disaggregated level.” Translated from (Somuano, Pérez Yarahuán, and Ortega 2006, 12).

When the PAN took power, not only did it not enforce electoral laws to punish the PRI’s continued use of these practices, but it adopted them to an extent, too. A report by Fundar found many different forms of activities used for vote coercion during the Fox administration. These include:

“1) Request that beneficiaries attend a political event; 2) Delivery of benefits in political assemblies; 3) visits from program employees requesting people to vote for a specific party or candidate; 4) threat to beneficiaries of removing them from the program if they do not support a specific candidate or party; 5) tell beneficiaries that the program is given to them by a specific party; 6) threats to beneficiaries in order for them to join a specific political party; 7) threats to beneficiaries because they sympathize with a political party; 8) incorporation of beneficiaries into a program because they supported a specific candidate or party” (Serdán 2006, 14 fn.9).

Among these, the provision of basic needs, such as offering baskets with food, is the most common form of vote buying. In second place there are offers of inclusion in social programs, such as Oportunidades’ cash transfers to the elderly, single mothers, etc. These offers on many occasions are not effective until after the election in order to ensure maximum pressure on voters, many of whom seem to believe that the governing party has a way of knowing who voted for it and who did not. This situation results in what Jonathan Fox calls semi-clientelism, in which government power is used “more as the threat of the withdrawal of carrots than by the use of sticks” (Fox 1994a, 157). In some cases, post-election offers of registration to programs increased by 61 percent in some states, and in one case it did by 79 percent (Serdán 2006, 14-5).

A 2010 study of vote-buying in the 2006 Mexican elections using the UNDP’s survey on the Protection of Federal Social Programs of 2006 (ENAPP), found that “8.8 percent of the survey respondents nationwide who were not beneficiaries of any federal social program reported that they had been offered something in exchange of their vote”. The same study found

that vote-buying self-reports were more frequent among people with low levels of schooling, indigenous peoples, and those living in a marginalized area (Vilalta 2010, 325). In this survey, Vilalta also identified that 17.8 percent of program beneficiaries in Jalisco State, and 11.5 percent in Chiapas State, were aware of delivery of public works or services in exchange for votes. The same study shows that 25 percent of non-beneficiaries in Chiapas know of such exchange taking place, while 19.4 percent do in Guerrero State. To the question of “were you offered something in exchange for your vote” 21 percent of non-beneficiaries in Jalisco, 15.2 percent in Guerrero, and 14.2 percent in Chiapas responded affirmatively.

In their 2006 observation report, Alianza Cívica (2006) discusses results from the organization’s survey of social program beneficiaries, showing that various social programs were in fact used for electoral purposes. As an example, 6 percent of those surveyed affirmed that they had received a gift or the promise of incorporation into a new program. In some states, like *priísta* Mexico State, 28.5 percent of those surveyed reported to have participated in vote buying, while 21.1 percent did in Nayarit state. The report shows that the more discretionary program for temporary employment was used in a 19 percent of vote buying cases, significantly more than Oportunidades which was used in 6 percent of the cases.

The Alianza Cívica’s report finds that the buying of social program beneficiaries’ votes was done by most parties, with the PRI at the head with 2.4 percent, and the PRD and PAN behind with 1.5 and 1.4 percent respectively, out of the 6 percent of vote buying instances identified. This is explained by the fact that most clientelist manipulation takes place at the local level in rural areas, where the PRI continued to have significant strength even during the twelve years of PAN governments.

Besides vote buying, Alianza Cívica also found that 7 percent of those surveyed were coerced or threatened in order to vote for a specific party. The states where this situation was identified the most were Oaxaca and Chiapas with more than 21 percent, while Sinaloa and Mexico State featured about 18 percent of cases.

In order for clientelism to work it is critical for the program beneficiaries to know who is responsible for the service or gift they are receiving. This is achieved mostly through the program's local CPC vocales⁷⁶, who through individual or collective speeches remind people who they have to thank for what they receive and who is not involved in getting the benefits to them, something that is particularly important when different parties are in power at the local and federal level (Serdán 2006, 15). While Oportunidades' design intends that CPCs reflect local political diversity, in reality CPC vocales are often card-carrying party members, who make sure that their party allegiance is well known by the community. Because they live in the same place where the benefits are distributed, it is easier for them to establish trusting relationships the way the program expects. However, their knowledge of the community can also be intimidating for some, especially those who are members of other parties or who express any criticism of the party in power. This is one of the reasons why, in their study of targeted social programs, Carrillo and Gruenberg argue that "considerations of power and politics must be included in the design, implementation and evaluation of targeted social programs as are efficiency and technical considerations" (2006, 12).

Stories of promoters or CPC vocales' political activities were often exposed in the media and social networks (MegaCanal 2012). In fact, most claims of political clientelism in the program are related to local actors, especially CPC vocales, while there is a small percentage of

⁷⁶ Just the way former president Carlos Salinas de Gortari had recommended in his doctoral thesis and resulting book (Salinas de Gortari 1982) in the early 1980s, and implemented himself through his flagship anti-poverty program *Solidaridad*.

formal denunciations of program personnel (Hevia de la Jara 2009, 67). For example, a review of *proselitismo* (electoral campaigning) complaints from 2004 to 2006, shows 33.64 percent of them denouncing the local *vocales*, 26.95 percent the health professionals, 15.30 percent the municipal liaisons, 10.44 percent municipal authorities, 4.96 percent education staff, and only 8.71 percent for a general “Oportunidades” category (Hevia de la Jara 2010, 123).

Oportunidades’ administrators often argued that incidents of political manipulation were just the result of a few “bad apples” and not the program’s intent (Proceso 2002). When faced with questions about incidents of local Oportunidades officers proselytizing in favor of the party in power, program authorities often pointed to the explicit condemnation Oportunidades’ public materials make of using the program for political ends (El Universal 2006). According to Gómez Hermosillo (2015), much of the success at combating clientelism depends on the local politicians and operators, many of whom are constantly trying to take political advantage of any resources available, and there is a limit to what the program’s design and safeguards can do to avoid this.

While the Oportunidades management took steps in its design to remove political operatives from running the program at the local level, the end result was the creation of new intermediaries between beneficiaries and the program, from *vocales* to health and education professionals. These actors were then able to abuse their position for individual gain in the form of collecting fees or favors, or for partisan gain based on ideology or on political and monetary incentives (Hevia de la Jara 2010).

The depth and forms of clientelism that these new intermediaries took varied according to the local politics and organizational context. Saúl Fuentes Olivares, who directs a disability program in indigenous rural areas in Oaxaca and participated in national evaluations of Progreso and Oportunidades, argues that the way these programs are used for clientelist purposes is more

hidden than the way Pronasol was, but now it is more open for all parties to use it in their areas of influence through their local cadres, from manipulation of surveys, to definition of vocales and beneficiaries. He cites as an example, that in a small municipality in the state of Guanajuato where partisan dominance had been established by the PRI, the election of committees and vocales was manipulated in partisan ways by local and municipal authorities to favor priísta candidates.

In some of those towns, Fuentes Olivares explains, the clientelist relationship has become part of the traditional customs for community relations. Roberto Hernández Ugalde, Director of the Moxviquil Center for Sustainability Education in Chiapas who works in multiple rural communities in that state, concurs with this, stating that in various places the local *usos y costumbres* (traditional uses and customs) organizational structure operates political clientelism, sometimes even changing parties depending on the best offer received.

The local social and political context can also operate against clientelism. Mr. Hernández Ugalde explains that in 2000, Pablo Salazar Mendiguchía was elected as the first non-PRI governor of the state of Chiapas through an impressive coalition of all political parties except the PRI plus the support of important social organizations. He governed the state for six years, in a close and collaborative relationship with all these actors. According to Mr. Hernández Ugalde, clientelism in the operation of Oportunidades in Chiapas was limited during that period, in part because of the protections newly established within the program, in part because the state government connected the program to other initiatives such as the creation of a micro-lending state-based women's bank, and in part because the broad participation of civil society organizations in various governmental initiatives provided an environment of social auditing that made it difficult for blatant clientelist schemes to operate. However, he declares, when the PRI

won back the governorship in 2006, all these advances were reversed, social organizations were intimidated, and clientelist use of social programs regained strength as a local practice.

This evidence should not come as surprise, affirms Marusia López Cruz (2015) who is JASS (Just Associates) Mesoamerica's former regional coordinator and who has worked with human rights defenders in various parts of Mexico. According to her, the PAN and the PRI built this infrastructure of permissibility during the 1990s, when the PRI allowed the PAN to take hold of its first state governorships, and both used the clientelist networks similarly, never challenging each other on this issue significantly. In this way, Mrs. López Cruz states, clientelism has become institutional and does not belong to one specific party.

This view is also shared by Eréndira Cruz Villegas, Oaxaca's Human Rights Commissioner, who believes that the use of social programs for political purposes has become the norm, independent of the party. This is the result, she argues, of the lack of enforcement that exists in Mexico in matters of electoral law, and more generally. According to her, the PAN was perceived as the party of transparency and law, but the lack of enforcement and prosecution in various issues, including electoral ones, increased the sense of permissibility and impunity in the country.

Despite this evidence, and community members and civil organizations recurrently raising concerns about clientelist practices, there is no significant evidence that the Fox administration did anything specific to enforce the law or address the issue in a systematic way. On the contrary this is an area in which the government was not fully transparent, even in cases that highlighted the clientelist and corrupt use of the program by members of opposition parties, such as the blatant corruption network in Oaxaca state before the 2003 election that was allegedly documented in a Sedesol report whose existence was later denied (Fox and Haight

2007). Lack of responsiveness by the PAN administration in this area affected the public’s trust in the impartiality of the program.

In his analysis of the program’s public information system called ‘Citizen Attention,’ Jonathan Fox found that out of the about 80,000 yearly requests received from 2003 to 2005, 13 to 15 percent of them were typified as serious ‘complaints and denunciations’ while the rest, called ‘citizen demands’ by the program, were mostly inquiries and suggestions⁷⁷. In 2006, these numbers increased, to a total of 87,714 requests with almost 20 percent of them being serious complaints (Table 3.1.3).

Table 3.1.3. Oportunidades’ Citizen Attention program: Trends in ‘citizen demand’

	2003	2004	2005	2006
Total ‘citizen demands’	72,433	78,837	80,076	87,714
‘Complaints and denunciations’ within ‘citizen demands’	11,264	10,798	10,579	17,128
% ‘Complaints and denunciations’ out of all ‘citizen demands’	15.5%	13.7%	13.2%	19.5%

Source: Fox (2007, 278)

While the percentage these complaints represent out of the universe of program beneficiaries is small, even Oportunidades managers recognized that there were multiple factors that inhibit people from establishing formal complaints, resulting in serious under-reporting. And for those cases that were reported, the effectiveness of the response was mixed at best. During the period 2004-2005, only 15 percent of petitions moved forward to a resolution within the program’s capacity, while a 65 percent majority were referred to other agencies. Many of these represent phone calls denouncing serious complaints for which the callers were told to re-

⁷⁷ As Fox (2007, 278) points out “(t)he official term for beneficiary inquiries reflects the discourse of the civic current: [*demandas ciudadanas* or] ‘citizen demands’. Most were information requests involving program operations, but a ‘hard core’ of between 13 percent and 15 percent involved more serious charges of abuse of power by Oportunidades staff, *vocales*, or related health or education personnel.”

submit in writing, something of which there is no record of actually having taken place. In addition, those cases related to electoral manipulation were referred to the electoral prosecution agency FEPADE, which “had little-to-no impact on sanctioning electoral abuses of antipoverty programs” (Fox 2007, 278-81).

Just as in other issues in which the PAN governments took initial important steps in the direction of increased transparency but failed on the enforcement side, in the case of social programs in general and Oportunidades in particular, the government did a good job at designing checks within the system and advertising their existence, but the lack of sufficient enforcement on the multiple incidents when they were violated kept the functioning of clientelist practices alive. As Merino argues:

“To change the prevailing political culture, enforcement of existing laws and regulations is crucial to modify the incentives faced by politicians, candidates, political parties, administrators and leaders of social organizations, as well as the expectations of those eligible to receive benefits from social programs and those who already receive them” (2006, 67).

It could be argued that Mexico’s lack of effective enforcement mechanisms is justifiable due to its status as a developing country. Nonetheless, as Mrs. López Cruz (2015) notes, other less developed countries such as Honduras have made important efforts to prosecute instances of human rights violations and electoral manipulation with the scarce resources they have. In the case of Mexico, she argues, the issue is not lack of resources as much as lack of political will at the top to enforce the laws, given that now all parties have learned to use the clientelist system in their own benefit.

The Oportunidades program continued during the second PAN *sexenio*, as president Calderón’s main anti-poverty strategy. During his administration the program’s lack of accountability that allows local PAN CPC members to deliver goods in partisan ways continued.

There is evidence that during this time the partisan use of Oportunidades took place even at the level of the program's state coordinators, as documented in the case of Veracruz state (Proceso 2013; YouTube 2013). Similarly, those in positions of responsibility for the program also kept claiming that any misbehavior was the result of individual CPC members' misunderstanding or civic culture, and not the government's fault (Luccisano and Macdonald 2012).

The continued use of social programs for electoral purposes under PAN administrations was noted by the public, and affected its perception about democracy. In a 2006 study in which 74 percent of those polled were beneficiaries of a social assistance program, 49 percent believed that elections are not really useful or significant to improve the country. Therefore, they take a more individualistic and utilitarian approach to the election, with 8 percent stating that this is the time when "they remember us" and 9 percent saying that it is when "they bring us some benefit or present". This view is even more dramatically demonstrated when 81 percent of respondents agree that "in [electoral] campaigns you have to get what you can from candidates, because after that they will forget about you" (Serdán 2006, 13-4).

These results indicate that a significant majority of social programs' beneficiaries understand these not as the government's responsibility in order to promote citizens' wellbeing, but as a form of currency that the party in power uses to buy their vote. In addition, it is also clear that for voters in social programs their vote is also a form of currency that they have to exchange for a gift from the party, not a mechanism to participate in democracy and decide their country's future. As years passed in the two PAN administrations, the perception becomes stronger that clientelism had not changed with a different party in power.

Erosion of Trust in Electoral Institutions

Probably one of the main components of the political reform that made possible the 2000 political transition was the high level of trust the electoral system earned during the 1990s through significant reforms in electoral law and in the IFE, increased levels of sophistication, citizen participation, and trusted performances. However, as explained in the Political Context section of this chapter, the way in which the PRI and PAN excluded the PRD from the electoral administration before the 2003 mid-term elections began to erode citizens' trust in the system's impartiality. This erosion continued when the teacher's union leader Elba Esther Gordillo moved from the PRI to the PAN, effectively resulting in the almost unanimous PAN-friendly IFE council that refused to recount the ballots in the controversial 2006 election.

In addition to the partisan and unbalanced composition of the electoral institute that resulted from Mrs. Gordillo's political shift to the PAN, a series of events contributed to reduce the IFE's credibility during the PAN years, including:

“[...]the flagrant violation of Mexico's electoral law by corporate donors to Calderón's campaign, its failure to adequately inform about the initial electoral results, its refusal to conduct or request a broader recount, and the massive display of quasi-fascist propaganda immediately after the elections. But the most scandalous behavior by far was its negative response to the FOIA request by various media sources to have access to the ballots used in the past elections. The IFE has claimed that national security and “public order” are at stake. The IFE here suggests that the request for access to the ballots used in the past presidential elections is an “attack against fundamental public values” equivalent to openly supporting a fascist takeover of government. [...] With this decision, the IFE has sealed the case for distrust. Indeed, such a leap of logic actually amounts to an implicit confession that something might be seriously wrong with the way in which the votes were counted during the past presidential elections” (Ackerman 2007a, 3-4).

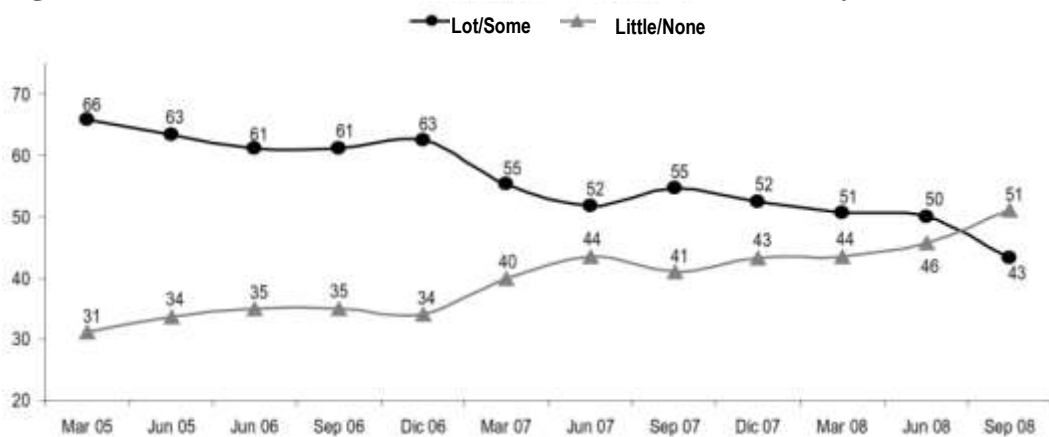
By denying a full recount of the votes after the 2006 election even when this was going to be decided by a margin of only 0.58 percent of the votes and there was plausible evidence of counting errors in at least 46.7 percent of the tally sheets (Ackerman 2014, 186; Ugalde 2012),

the IFE contributed to diminishing the credibility of the electoral system that had been achieved at the 2000 election.

The TRIFE (or *Tribunal Federal Electoral*), a judicial body charged with hearing electoral controversies, decided against a full recount despite acknowledging the existence of electoral irregularities in the partial recount that had already taken place. Rejecting such a demand did not help to legitimize the election and instead was perceived as an effort to obstruct a recount that would have removed any doubt about the result. The TRIFE's decision became possibly one of the reasons that by 2011 half of Mexicans, including therefore a significant number of non-PRD voters, believed that there was fraud in the 2006 election (De las Heras 2011).

The 2006 elections resulted in an acute reduction in Mexicans' trust in the electoral institute, the IFE. A study on trust in institutions by the Mexican Congress shows a steep decline in public trust in IFE after December of 2006, when Felipe Calderón was sworn as president, effectively ending that year's contested election controversy. Until that month, trust in IFE had ranked between 61 percent and 66 percent. After that month, it declined to the low 50s, where it remained until September 2008 when it collapsed to 43 percent (Figure 3.1.3).

Figure 3.1.2. Mexico: Trust in IFE 2006-2008. How much do you trust the IFE?



Source: *Reforma* National Poll 2006-2008, in Moreno (2010, 231).

The continued partisan use of public programs for electoral gain compromised public perception about the quality of democracy after the 2000 transition. And rather than helping to provide stability, the institutions in charge of safeguarding elections contributed even more to the growing disenchantment Mexicans have with democracy and its institutions.

Epilogue and Conclusion

In 2012, Enrique Peña Nieto won the presidency back for the PRI in the midst of two vote buying scandals. The first one, known as the Monex case, concerned MX \$66 million (U.S. \$4.4 million) that were distributed in 7,851 prepaid debit cards to people attending party events or signing up in promoters' lists (Milenio Digital and Rivera 2015). The second case also involved prepaid gift cards, this time of Soriana supermarket, given to event attendants. In both cases, there was not an actual contract in which the voter is forced to vote for the PRI, but in both cases most of the cards were distributed at events where people had to sign up showing their voter id, and many of the cards were designed to be activated after election night. These events, could be construed as vote buying, or at the least as a form of soft coercion, and they far exceeded the campaign spending limits set by IFE (Flores-Macías 2013, 140). While investigating the cases, a Congressional commission found that the PRI spent MX\$4.6 billion (about US\$300 million) in the 2012 election, thirteen times more than the campaign spending cap of MX\$336 million (Méndez and Garduño 2014). The cases brought to the TRIFE by the PRD were found to be lacking enough evidence to alter the elections result. The PRI returned to power in December 1, 2012.

In the run-up to the 2013 state and congressional elections, one year after the return of the PRI to power, an audio from an Oportunidades evaluation meeting in Veracruz State recorded

the state's finance minister telling program officers "you are paid for that, to participate politically [...] what we have in our hands is ground gold and we have to take advantage of it." The same minister and the minister of health went on to explain how to organize the structure to get the most possible electoral advantage from the program, including replacing committee members and beneficiaries with party leaders (Martínez 2013). That same year, a poll found that 75 percent of respondents believed that in Mexico social programs are used mostly to get votes (Parametría 2013). The IFE, renamed in 2014 as *Instituto Nacional Electoral* or INE, featured its lowest level of public support in 2015, with only 34 percent of people responding that they trusted it "a lot" or "some", compared to 43 percent in 2008 and 50 percent in 2012 (Huchim 2015), years in which such trust may have increased due to an apparent common pre-electoral increase due to people's hope that the following election is going to be cleaner than the previous ones. The PRI was back, a majority of people did not trust the electoral institutions, and thanks to the two PAN administrations from 2000 to 2012, clientelism was alive and well.

CONCLUSION TO SECTION 3.1

The Mexican political juncture of 2000 was largely possible because of the activism of civil society organizations that during the previous two decades sought to build democracy in form and in substance. The 2000 election of a non-PRI president raised expectations that after such an important milestone in electoral democracy, other changes would follow. Among these, there was hope for reducing the poverty and inequality that had increased since the 1980s, and a new relationship between government and society that would eliminate the clientelist system that dominated Mexican politics in modern times.

There were some achievements during the twelve years of PAN administrations. Economic growth continued to take place, and government policies made impacts in the reduction of inequality and poverty. The extent of these quantitative achievements will be analyzed in Chapter 4. Such an advance in social indicators took place through initiatives like the CCT program Oportunidades, which facilitated some human development, even though it was implemented in ways that allowed for its political manipulation in the same way the PRI had done for decades. The continued use of social programs with electoral purposes intensified a perception that elections were not important in making possible broader political change, but rather that they only gave voters a form of currency to exchange for some individual short-term benefits. The PAN governments did not dismantle the structures and practices that made this system work. Instead, they continued those practices, consolidating the clientelist system's ability to survive electoral democracy.

In addition, the cornerstone institution that made possible the transition of 2000, a strong and trustworthy electoral system, lost much of its credibility during the twelve years of PAN administrations. This was a consequence of the way the IFE and TRIFE had become politicized, and of how deficient they were at increasing certainty in contested elections, more famously the 2006 presidential contest.

The continuation of clientelism during the twelve years of PAN administrations, resulted in a broad sense of disappointment among many Mexicans who thought that they had conquered democracy by taking the PRI off of Los Pinos⁷⁸. This disappointment possibly has deep implications for democratic support and social capital in this country. Chapter 5 explores these implications more extensively.

⁷⁸ Los Pinos is the name of the President's official residency in Mexico.

3.2 Venezuela: The Hugo Chávez era 1999-2013

Hugo Chávez won the 1998 election with 56.2 percent of the vote, followed by Henrique Salas Rómer of Proyecto Venezuela with 40 percent. This election signaled the end of the period known as *Punto Fijo* democracy, which provided Venezuela with its first forty years of competitive elections. Political stability during that time was achieved through a partyarchy system, in which the AD and COPEI parties distributed control of society among themselves through the creation of corporatist structures⁷⁹ and clientelist practices. As discussed in Chapter 2, this system began to collapse during the 1980s and 1990s when a sharp decline in oil prices prompted an economic and debt crisis that forced the government to implement an IMF-sponsored package of neoliberal reforms. Venezuelans protested these reforms and the government responded to the mobilizations with repression during the crisis known as the Caracazo. These events weakened the corporatist and clientelist system and alienated people from the traditional parties. Chávez, who in 1992 organized a failed coup, came to power in 1999 with a platform promising to eliminate the clientelist party system, implement an economic program different from the neoliberal prescription of the previous decade, and change the relationship between the government and the governed through participatory democracy. This chapter is subdivided in two sections: the first one describes politics during the Chávez presidency until his death in 2013. The second section, focuses on the social and economic policies the government implemented in its attempts to promote participatory democracy.

⁷⁹ According to Wiarda, Venezuela was not one of the most prominent corporatist regimes as Mexico was, but it had some “corporatist influences” (1997, 78-9). Similarly, other authors with expertise in this country write about its “corporatist policy structures” (Coppedge 1993; McCoy 1989), “corporatist linkages” (Roberts 2003), and “high corporatist institutional setting” (Corrales and Cisneros 1999).

3.2.1 POLITICS DURING THE CHÁVEZ ADMINISTRATION

During the first four years of the Chávez presidency, Venezuelan politics featured an epic political battle. The president's popularity allowed him to create a new constitution and to win a super majority in congress. This made it possible for Chávez to concentrate power, thanks to so-called enabling laws passed by congress allowing him to govern by decree. He used this power to begin a push to strengthen social programs, while also alienating the opposition. The opposition responded with an oil industry lockout, a general strike, and a failed coup d'état, all of which collapsed the economy. After 2003, the conflict deescalated and the government created redistributive programs called *Misiones Bolivarianas*, promoting through them the implementation of participatory democracy practices embedded in the new constitution.

A new constitution: participatory democracy with expanded presidential authority

The most significant political event of the early years of the Chávez administration was the passing of the 1999 constitution and the political battles over it. In the policy aspect, the new constitution institutionalized his participatory view, providing a legal framework for its implementation in the coming years. In the political realm, the president galvanized popular support to pass a referendum calling for a Constituent Assembly, and the laws passed by that assembly allowed him to gather sufficient power to implement his preferred policies. This also showed the president's supporters that he was committed to the promises he made during the presidential campaign. However, this process also alienated the opposition and some in the middle classes who perceived it as a power grab.

Once Chávez took office in 1999, he implemented programs oriented to reducing the inequality produced by neoliberal policies of the late 1980s and 1990s, while also trying to

control macroeconomic stability. During his first year in office he promoted small increases in financing for public assistance programs, and tried to work with Congress towards policies that would make effective his campaign promises. Chávez was elected with over 56 percent of the vote in a record turnout election. However, the legislature was still composed of a majority from the two *partidocracia* parties AD and COPEI that had kept the lid on outside political participation for decades, and they were not willing to pass Chávez's reforms into law. This situation presented a challenge common in presidential systems, when popular candidates win without having a majority in the legislature to work with (Linz 1990).

Critics on the left and in independent organized labor argued at the time that Chávez was too willing to keep neoliberal policies, such as granting preferential treatment to foreign imports, implementing fiscal austerity measures, and allowing the continuation of the value added tax. According to them, the new administration was trying to appease members' of the other parties in order to negotiate support for some of his initiatives. Given that Chávez had also kept Caldera's economy minister, and appointed businessman Roberto Mandini as president of PDVSA, critics on the left referred to these members of the cabinet as the *boliburguesía*, meaning the Bolivarian bourgeoisie (Marcano, Tyszka, and Cordero 2007).

On the other hand, the AD and COPEI opposition in the legislature believed that by rejecting redistributive policies, they could push Chávez to become another anti-neoliberal presidential candidate turned into neoliberal-president, just as the previous two Venezuelan administrations and many others throughout Latin America had been (Stokes 1999). In this way, AD and COPEI leaders hoped that Chávez would not challenge their interests and those of the elites that still supported them. Such a legislative stalemate prompted Chávez to accelerate moving forward on his campaign promise of calling for a constitutional referendum. He did so

by arguing that the vast support he had received in the presidential election represented a mandate for changing the existing political system that, in his view, was blocking progress. Thus, while the economic reforms he promised as candidate were placed on hold, the Chávez administration was moving forward on his pledged political reforms (Ellner 2008, 110-2)

As discussed in Chapter 2, declining support for the traditional parties and the *Punto Fijo* system was in process long before Chávez was sworn in as president⁸⁰. Chávez's proposal for a new constitutional order filled the political vacuum, giving concrete shape in the minds of the population to what could be an alternative to replace partyarchy with a more inclusive system (Coppedge 2003, 175). During his inaugural speech, and as his first act in office, Chávez called the electoral authorities to organize a referendum to take place within four months to call for a Constituent Assembly.

The April 1999 referendum passed with 71.8 percent, a significantly larger majority than the one that elected Chávez, which signaled the non-partisan popularity of the idea. The momentum continued to build in his favor, and in the July election for constitutional delegates his preferred candidates won a 90 percent majority, effectively giving him full control over the Constituent Assembly, which was charged with drafting a new constitution in six months.

A conflict emerged about the primacy that the new Constituent Assembly had over the existing National Assembly, as the Constituent Assembly attempted to expedite the review of 4,000 outstanding corruption cases against many of the nation's judges, such as failure to mount trials of corrupt politicians and bankers. This was seen by the president's critics as a power overreach. Nonetheless, the Supreme Court, in place since before the Chávez election, declared that those powers were not unconstitutional. At the end, fewer than 200 judges were fired,

⁸⁰ For an analysis of the last remnants of the *Punto Fijo* hegemony, and the governance prospects of Caldera's first non-AD or –COPEI administration, the one previous to Chávez, see Coppedge's (1994a) "Prospects for Democratic Governability in Venezuela."

representing around 10 percent of those identified for possible prosecution, and less than 5 percent of all the judges in the country (Gott 2000, 160-3).

From one point of view, these actions can be understood as an exercise in accountability in order to strengthen democratic governance. However, for other observers, these actions exemplified how popular sovereignty, understood as a mandate emanating from the people's vote, took over a liberal democracy's systems designed to protect the minority (Coppedge 2003, 176-9). The problem with this argument is that it does not take into consideration the great extent of public support that the idea of a new constitution received, and it fails to address the point at which the defense of liberal democracy's protection of minorities becomes the promotion of the "tyranny of the minority" (Bishin 2009; Staub and Zohn 1980). Ultimately, Chávez used the legal and democratic channels available at the time to push for renewed institutions, but at the cost of polarizing the country and alienating the opposition.

The new constitution, adopted in December 1999, was much more than a political maneuver to change judges and legislators. The government made an open call for constitutional proposals, and about half of the proposals coming from civic organizations made it into the new constitution (García-Guadilla 2007, 186). The notion of participatory democracy takes critical importance in the final document, which at the time of its signing was considered one of the most progressive in the world (Martinez, Fox, and Farrell 2010, 19; Wilpert 2003b). The new constitution includes provisions for the defense of human rights of women and indigenous peoples, lifts international treaties to the same level as the constitution, and it goes beyond common civil rights protections to include economic and social human rights such as education, housing, employment and health care (Human Rights Watch 2008). These aspects of the new constitution are in line with a traditional leftist redistributive approach, but making them

constitutional guarantees increases the prospects for their long-term respect and promotion, beyond the preferences of any particular administration.

The new constitution's focus on participatory democracy is explicit from the preamble and from several parts of the text. For example, Article 62 states that people's participation ensures their full individual and collective development and that it is the obligation of the State to facilitate putting it into practice. Extending citizen involvement beyond what most representative democracies do, this document establishes the possibility of using popular referenda to consult citizens on policy, to approve or rescind laws, and to recall elected officials. It establishes a fourth governmental branch denominated 'citizen power' to act as a public defender with equal standing with the traditional three branches of government. This branch of government was not defined or installed immediately, but the president started referring to it after 2006 when trying to give increased power to the local community councils he formed as part of his attempt to build a participatory democracy.

In addition, the new Venezuelan Constitution spoke about an "obligation to reestablish the validity of the constitution" in article 333, and that "the people of Venezuela [...] disavow any regime, legislation, or authority that contradicts the values, principles, and democratic guarantees or that impairs human rights" in article 350, elements that later would be used by the opposition to justify some of their civil disobedience (Wilpert 2003b, 39). While the idea of participatory democracy could be just empty words on paper, institutionalizing it in the constitution provides a framework of legitimacy for popular involvement in politics and governance that would become a critical component of the Chávez administration.

In 2000, the first National Assembly after adoption of the 1999 constitution, passed an 'enabling law' giving the president the power to legislate by decree in order to update the laws to

conform to the new constitution. ‘Enabling laws’ have been a common policy feature in Venezuela since the 1961 constitution, sometimes called ‘delegated legislative authority.’ They had been adopted five times before in order to legislate on financial and economic issues during the administrations of Rómulo Betancourt, Carlos Andrés Pérez (1974-1979), Jaime Lusinchi, Ramón Velasquez, and Rafael Caldera (1993-1998). The 1999 constitution expanded the reach of ‘enabling laws’, allowing the assembly to delegate legislative authority on any policy area. The enabling law passed that same year allowing the Chávez administration to legislate in areas of finance, the economy, infrastructure, personal and legal security, science and technology, and the civil service. This was not a radical departure from previous enabling laws, or from the types of powers granted to the executives in Argentina, Brazil and Colombia, where constitutions “permit the president to establish new legislation without first having been granted explicit authority to do so” (Crisp 1998; Garcia-Serra 2001, 276-85). Nonetheless, this law has been used by critics as a clear example of Chávez’s alleged authoritarian tendencies and the breakdown of democracy in Venezuela (Corrales 2005).

Making use of the enabling law, in November 2001 the president enacted a package of the now famous forty-nine decree-laws that initiated a significant policy departure from the neoliberal model implemented before he was elected. Among the most economically significant of these special laws are the regulation of the oil industry and land reform. The Organic Hydrocarbons Law granted the government the majority ownership of oil operations, and the Lands Law made idle land subject to expropriation and redistribution if not made productive within a period of two years. Another important law also reversed the privatization of social security, which was underway right before Chávez was elected.

Other sets of laws seemed less significant at the time the Constitution was passed, as they referred to aspects of life that were not relevant for many Venezuelans but that would set the foundations for some of Chávez's most important social and economic policies. Among those are the cooperatives law that made possible the later development of hundreds of thousands of co-ops; and the Urban Land decree, which allowed many poor people living in barrios to get titles for their homes and facilitated their organization on urban land committees. Politically, the economic impact of the forty-nine decree-laws not only strengthened Chávez's base among poor and working class people, but it also weakened the elites that formed the core of his opposition.

Strikes, coup attempt, and oil lockout

The 2001-2003 period was one of intense conflict in which the opposition sought to topple Chávez but overplayed its hand, ultimately strengthening Chávez's control. In 2001 the opposition to Chávez engaged in an escalatory campaign against the government. This campaign started with a series of street mobilizations and media attacks protesting against the changes in the National Assembly, the new constitution, small changes in social policy, and in general against what they called a socialist takeover. In April 2002 the opposition staged a bloody confrontation with the president's supporters that was used by a group within the military as an excuse for a coup d'état. The president was removed for two days and brought back to power by rank-and-file supporters within the military and with the help of popular mobilizations. As a result of this event, Chávez adopted a conciliatory tone towards the opposition, which responded by elevating the intensity of their campaign to topple the government and leading a lockout of the oil industry. The lockout caused the economy to collapse and the country's GDP to drop 16

percent from 2001 to 2003 (World Bank 2016c). The government responded by setting up new leadership within the oil industry, finally taking control over this strategic industry.

The opposition to the government became a mix of economic elites, including: landowners affected by land reform; members of FEDECAMARAS, the main business group; the confederation of workers CTV; and the labor union of the state-owned oil company PDVSA. Both the CTV and the PDVSA workers' union featured leaders who used to work in tandem with the *partidocracia* governments in order to keep workers controlled, and who opposed Chávez's attempts at reforming the unions and hoped for the continuation of the Punto Fijo corporatist and corrupt paradigm (Jones 2007, 293). Besides these elites, the MAS party and other disaffected members of the original Chávez coalition joined the opposition, in the belief that the forty-nine decree-laws were too radical and that the president would be removed in response, seeking therefore to accommodate themselves with a possible new government. They joined together under the name *Coordinadora Democrática* (Democratic Coordination) (Ellner 2008, 113).

After the passing of the new constitution and the reforms to make it operational, accusations of authoritarianism seemed plausible and the opposition's movement to remove the president gained strength. Chávez had failed to campaign and gather support for the forty-nine decree-laws, which made the government vulnerable to charges of authoritarianism, giving the opposition arguments to mobilize around. During all of 2001 and the early months of 2002, the *Coordinadora Democrática* staged a series of weekly small demonstrations and some general strikes. The main media conglomerate RCTV supported the campaign by featuring daily televised attacks upon the government (Ellner 2008, 114-5).

The domestic opposition was not the only challenge to the Chávez government. Since 2000, the Washington Post warned that whoever was elected president of the United States that

year needed to watch out for Chávez, whom it referred to as “the next Fidel Castro” (Washington Post 2000). Chávez’s leadership at revitalizing OPEC, his nascent friendship with Fidel Castro reflected in the Cuban president’s visit to Venezuela and in a deal for selling subsidized oil to the island (Romero and Corrales 2010, 227-9), and his criticism of the U.S. bombing campaign in Afghanistan after the September 11th attacks, had positioned Hugo Chávez in confrontation with the Bush administration. This, during a time in which the U.S. had adopted an ultimatum policy demanding countries to be “with us or against us,” and when for the first time in over a decade leftist governments were being elected in the hemisphere, to the concern of the U.S. right. In 2001 the American government intensified relationships with Chávez’s critics and provided economic support to opposition organizations through the National Endowment for Democracy (Jones 2007, 296-303).

The low-intensity confrontation between the Chávez administration and the opposition reached a critical point early in 2002. Two CIA Senior Executive Intelligence Briefs delivered to two hundred US top-level officials, dated late March and early April, claimed that a coup was being planned by senior officers and “civilian contacts,” and that in order to “provoke military action, the plotters may try to exploit unrest stemming from opposition demonstrations slated for later this month” (Jones 2007, 314). The content of these reports seemed to become reality on April 11, 2002, when the largest demonstration since 1958 was called by the *Coordinadora Democrática* and its allies in the media.

To counter that demonstration, thousands of Chavistas gathered outside the presidential palace to show their support to the government. The opposition’s march had a permit to end with a massive rally at PDVSA’s headquarters. However, its organizers illegally diverted it towards the presidential Miraflores palace, in what constituted a clear provocation. At the same

time, a top military officer demanded on TV the president's resignation in order to avoid further escalation of the political conflict. During all that day the media showed images of the mobilizations and spread rumors that Chávez had already resigned. The president himself took to the airwaves in order to call for calm, but the TV only showed his message in a split screen while showing demonstrations on the other half, contrary to established law requiring airing of presidential addresses, and undermining the president's message (Jones 2007, 315-25).

As the march approached Miraflores, unidentified gunmen fired shots from a building roof killing at least eighteen people (Youngers 2003). Chavistas who were on top of a bridge responded to the shots by shooting at armored vehicles of the Metropolitan Police, and the scene was caught on video. The wounded and dead bodies in the video were in fact Chavistas on the same bridge, and the march was at the time more than a quarter of a mile away (Coronil 2011, 54-5). The media presented the news as if the government supporters had fired on demonstrators, sparking outrage in much of the population⁸¹ (Stone 2009). This event led a group of military officers backed by the opposition to accelerate⁸² for that night the staging of the coup d'état they had been planning for weeks. That night they successfully removed Hugo Chávez from the Miraflores palace and took him away.

During that period, a military junta installed FEDECAMARAS' president Pedro Carmona to head a provisional government. He immediately abolished the National Assembly and other democratic institutions and abrogated the forty-nine decree-laws, but failed to call for immediate elections. This initiated the break-up of the coup coalition, as well as the isolation of

⁸¹ For a documentary film showing the manipulation of the facts of April 11 by the media see Ángel Palacios' *Puente Llaguno: Claves de la Masacre* (2004).

⁸² There are versions that the coup planners knew in advance about the killings that were going to take place during the demonstration, due to the fact that CCN en Español correspondent Otto Neustadtl stated that he had taped the military officers' statement in reaction to the killings before these events had taken place (Ciccariello-Maher 2013, 168; Coronil 2011, 54-6; Jones 2007, 329).

some of the smaller parties and organizations that had joined in, such as CTV representatives who were shut off from the coup leadership.

A phone interview of one of Chávez's daughters on Cuban TV, as well as statements by Chávez's cabinet members, made public that the president had never resigned, as the coup plotters argued. This prompted people from the poorest barrios in the outskirts of the city to descend into central Caracas and demand Chávez's return⁸³. Mid and low-level military officers who were loyal to the president from his time in the army were key to avoid his assassination. Parachute troops rescued him from the island where he was held captive and took him back to the presidential palace, which was surrounded by supporters, effectively ending the coup (Ellner 2008, 113-8; Jones 2007, 325-65).

After the coup, Chávez took steps to promote reconciliation through so-called dialogue tables, hiring opposition hard-liners into his administration, and creating opportunities to work with the opposition such as the implementation of decentralization initiatives that favored governors from the other parties. He re-hired top PDVSA executives fired only days before the coup and named OPEC secretary general Alí Rodríguez to head the company, a move applauded by the opposition (Jones 2007, 368-9; Wilpert 2007, 24). Nonetheless, under the banner of "forbidden to forget" in reference to the April 11 deaths, the opposition continued its destabilizing campaign.

With the explicit goal of forcing Chávez out of power, the alliance PDVSA-CTV-FEDECAMARAS and opposition parties launched an indefinite general strike, which depended for its success on halting oil production. Just as had happened with the military during the coup, while the managerial level of the oil union were on board with the strike, middle and lower level

⁸³ For an in-depth description of the mobilizations of April 11th and 12th, including witness interviews and accounts of the repressive response from the Carmona government, see Ciccariello-Maher (Ciccariello-Maher 2013, 166-79).

workers were not. For this reason, PDVSA's lockout just slowed down oil-related activities and ended after 63 days, as production continued to some degree in places where management was not as strong or committed to the lockout and workers were able to continue their work as usual. Nonetheless, the lockout's impact in the economy was tremendous: oil production declined from almost three million bpd to only 25,000 in the worst part of the lockout, resulting in losses of over seven billion dollars, equivalent to 7.59 percent of the country's GDP. Added to this, were the disruptions that millions of Venezuelans faced during two months of long lines to get cooking fuel and gasoline for their cars (Lander 2004, 19-20).

Continuous mobilization and the damage to the economy caused by the oil lockout weakened public support for the opposition, which appeared intransigent in its demands for Chávez's resignation and its refusal to negotiate anything else. By 2004, the opposition's activity was reduced to the aggressive street-fight Guarimba Plan, operated by armed bands including the former leftist guerrilla group *Bandera Roja* (PROVEA 2005, 485). At the same time, *Chavistas* were calling for demonstrations with hundreds of thousands of participants. That same year, the opposition organized a recall election to remove Chávez from power, but the results of his economic and social programs were beginning to be visible by then, and the recall was defeated by 59 percent in an election validated by the Carter Center and the OAS, despite the opposition's claim of electoral fraud. After this result, they attempted to boycott that year's mayoral and gubernatorial elections by limiting their participation. Their strategy failed, and the result was a massive win for *Chavista* candidates that facilitated the implementation of the president's initiatives (Ellner 2008, 120).

Oil policy, crisis, and recovery

The most important product in the Venezuelan economy, oil, is also a critical component in the country's political struggles. The political differences between right and left, reflected in ideological differences between free market advocates and those who believe that the state has to play a redistributive role in the economy, also result in clearly defined camps in oil policy. These two camps clashed against each other during the first five years of the Chávez administration, conflict that almost caused the economy to collapse until the president finally gained full control over this industry. And even after that, the debate continued over whether the administration's oil strategy had caused a crisis in the industry, or whether it had improved its capacity to play the strategic role the country requires from it. This debate involving oil policy is also influenced by the strong advocacy for liberalization coming from the transnational oil companies, and from the governments in their powerful countries of origin.

As described in Chapter 2, during the 1990s the Venezuelan oil industry became increasingly detached from the government and began operating more as a private firm, a process its advocates called *apertura*, an opening. Under the *apertura*, overseas-trained managers known as the *Generación de Shell*⁸⁴, shielded the company from government influence in the belief that using the company's profits for redistributive policies was wasteful and against the market-oriented economic view they embraced. PDVSA's new technocratic managers used the concept of meritocracy⁸⁵ to justify why they, and not politicians, were better suited to run the company in the business-like way the new neoliberal context demanded. By taking advantage of

⁸⁴ Most members of the *apertura* managerial team had risen through the ranks of Shell in Venezuela before the oil nationalization. For more on this see José Enrique Arroja, *Cientes Negros: Petróleos de Venezuela bajo la generación de Shell* (1998), in Hellinger (2006, 62).

⁸⁵ In fact, the word *meritocracia* has since then often been used in Venezuela as equivalent to the managerial group that promoted the *apertura*.

loopholes in the hydrocarbons laws, the oil company increased its contracts with foreign companies at reduced royalty fees (Wiseman and Béland 2010).

Luis Giusti, PDVSA's president from 1994 to 1998 and a key member of the *Generación de Shell*, was perhaps the most closely allied to U.S. oil interests (Kozloff 2006, 8). He was against the *sow the oil* view implemented since 1958, and against the OPEC strategy of halting production to keep prices high. Instead, his strategy was to attract foreign investment in order to increase output, even if this resulted in low oil prices, in the belief that this would please PDVSA's international partners and that the market would work its way to compensate low prices with the profits obtained from high production levels. Giusti believed that *apertura* was as close to a privatizing strategy as the constitution permitted, and focused on the privatization of specific oil-related activities as opposed to the whole industry, which he understood was unlikely to happen (Hellinger 2006, 56-62).

The *apertura* strategy was in line with the free-trade economic paradigm prevalent in the 1980s and 1990s as advocated by the international financial institutions and oil-consumer developed countries, particularly in the U.S. and Europe, which favored high production levels in order to keep prices low. As Hammond (2011, 365) describes, some observers see *apertura* as a positive development that strengthened the company by making it more 'market-friendly' in times of economic crisis (Karl 1997). However, others are concerned that through this process Venezuela gave up sovereign rights over its oil, jeopardized future exploitation of this finite natural resource, and weakened the national economy, which in turn increased social unrest (Mommer 2003; Wilpert 2007).

When Chávez became president in 1998, he made appointments at the highest levels of PDVSA, but the rest of the self-described *meritocracia* managerial team continued to operate

and to move towards deepening the *apertura*. However, the hydrocarbons law of 2001 changed the terms of the state-oil company's work by substantially increasing the percentages in royalties and taxes, and allowing joint ventures and shared risk partnerships only when PDVSA had a majority of shares. The *meritocracia* executives opposed these measures and joined the opposition in their attempt to force the president out of office. This prompted Chávez to name *apertura* critic Gastón Parra as PDVSA president and a new set of directors in February of 2002.

In April of that same year, the former PDVSA executives joined the failed coup against the president. Chávez responded with conciliatory measures such as replacing Parra with OPEC secretary general Alí Rodríguez as the company's president and reinstating many of the recently fired executives in their former positions. Nonetheless, in December these executives, in coordination with an AD union boss, organized the oil stoppage and lockout that nearly collapsed the country's economy. Rodríguez fired the executives and other striking employees, regaining control of the company. By April 2003, oil production had largely recovered to pre-strike levels (Hellinger 2006, 63-6; Lander 2004; Wiseman and Béland 2010, 143-8).

Most analysis on the merits of Chávez's oil strategy are influenced to some extent by the opposing views of the neoliberal *meritocracia* and the populist 'sowing the oil' camps, which clashed against each other during the episodes describe above. These perspectives have opposite understandings about what are positive levels of oil production. For instance, the *meritocracia* supply-side view of production was to increase it permanently notwithstanding the effect this has in lowering oil prices. On the contrary, Chavistas shared the OPEC founders' view of oil as strategic and finite resource, and therefore they believed that strategic reductions in production levels were positive when necessary to push prices up. To illustrate this, Figure 3.2.1 shows that Venezuela cut production after 1973 when OPEC successfully promoted price increases, a

process that ended when many OPEC countries produced over their quotas and Saudi Arabia responded by abandoning the role of swing producer in the mid-1980s and raising its own production (Figure 3.2.2).

Figure 3.2.1. Venezuela Oil Production vs Prices 1965-2013 (Thousand BPD vs USD constant 2000)



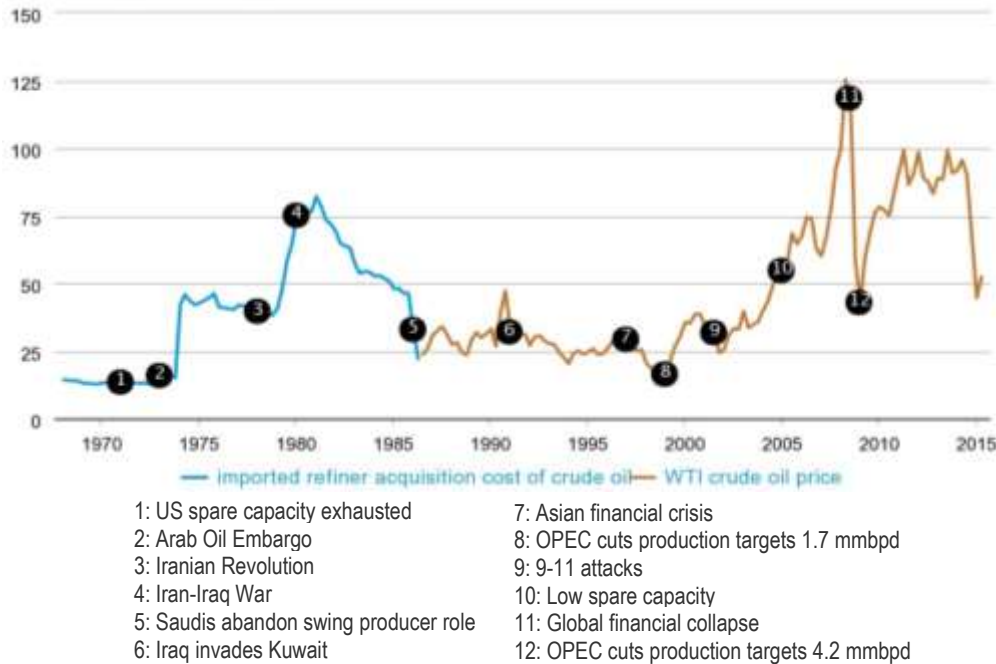
Source: PetróleoMundo.com (PetróleoMundo.com 2015)

From that time to the early 1990s, the apertura leaders promoted a steep increase in production, until the beginning of Hugo Chávez’s presidency in 1999 when the strategy of cutting oil production to increase prices was successfully used again (Kozloff 2006, 24), as seen in Figures 3.2.1 and 3.2.2. Nonetheless, this cut in production was perceived negatively by market-oriented analysts (Alvarez and Hanson 2009; Rodríguez 2008; Voigt 2013).

The success of Venezuela’s strategy of cutting production in order to increase prices is subject to debate. The U.S. Energy Information Administration observes that oil production affects prices, stating that “historically, crude oil prices have seen increases in times when OPEC production targets are reduced” (EIA 2015b), as seen in Figure 3.2.2. In line with this, Figure 3.2.1 shows an inverse correlation between Venezuela’s oil production and prices, which would

seem to support Chávez’s strategy. However, the global picture is more complex than this, as OPEC countries often do not act in coordination, and production in non-OPEC countries can have significant influence in prices, as the recent surge in U.S. oil production has done to reduce prices in 2014 and 2015 (Figure 3.2.2).

Figure 3.2.2. Oil prices and key geopolitical events (2010 USD)



Source: EIA (2015a)

In sum, the main facts about oil policy during the Chávez administration are that: First, the administration reinvigorated OPEC and controlled production in order to push oil prices to record high levels. Second, the government used much of the oil revenues for the main initiatives that characterized the Chávez years, from large social and economic programs domestically, to oil sales at preferential prices to regions in need in the interest of solidarity. Third, while PDVSA under Chávez continued many of the joint ventures it had before his administration, it has not developed enough domestic infrastructure to depend less on foreign companies for parts of the oil cycle, especially on refining, much of which still takes place

overseas. And fourth, while the Venezuelan economy was still volatile due to its dependency on high oil prices, towards the end of the Chávez administration the country had among the largest oil reserves in the world, which gave it some room to resist a certain level of price changes. These facts do not reflect the chaotic picture of a collapsing industry that critics of the government portray, but they also show economic areas of possible concern that its supporters did not often acknowledge. In fact, the 2014 dramatic decline in the price of oil that slashed more than half of its value (Figure 3.2.3) surely hit the Venezuelan economy hard, which that year recorded a negative growth of four percent (World Bank 2016c).

Chávez and international politics

International politics was a way in which Hugo Chávez was able to strengthen his image at home and continued to have support for his participatory policies. At the same time, such policies boosted his credentials with the international left, which were also reinforced by an anti-neoliberal and anti-U.S. government discourse that found many sympathizers at a time in which the United States' rush to war in Iraq had resulted in high antagonism towards this country's international policies. Similarly, Chávez's leadership as part of the international left galvanized support at home, where he could argue that the domestic efforts to build a more equal and participatory society were part of a global struggle.

Hugo Chávez responded to the U.S. involvement in the coup (Vulliamy 2002), and to the National Endowment for Democracy's (NED)⁸⁶ financing of his political enemies, with rhetoric and policies that increased polarization, boosting his poll numbers at home and turning him into an important figure for the international left. As Corrales (2006, 2011b) explains, Hugo Chávez

⁸⁶ For an in-depth analysis of NED's role in supporting the opposition to Chávez on the basis of ideological differences but under the umbrella of democracy promotion see Clement's (2005) "Confronting Hugo Chávez: United States "Democracy Promotion" in Latin America".

became stronger the more opposition he faced. He became politically weaker in the beginning of his presidency when he tried to work with the puntofijista parties that blocked all of his major initiatives during the first year of his presidency. In contrast, the president's popularity increased when he strongly challenged the opposition and established clear differences with them, just as he had done in the 1998 presidential campaign.

After the United States' recognition of the coup leader as legitimate president, Chávez had arguments to place himself as a victim of U.S. imperialism. He therefore took the opportunity to try to galvanize international opposition to President George W. Bush, whose lack of international popularity grew significantly in the Spring of 2003 due to the U.S. rush to war in Iraq. That year the global antiwar movement joined its rejection of U.S. policies to those of the growing anti-globalization movement that stemmed from the 1999 demonstrations in Seattle and that continued to build up in the global south through the World Social Forum in Porto Alegre (Fisher and Ponniah 2003). Chávez framed his Bolivarian Revolution as part of these two movements: as promoter of multi-polarity in contrast to a U.S. dominated unipolar world, and for a participatory economy that would correct the inequalities produced by neoliberalism.

Chávez led the opposition to the Free Trade Agreement for the Americas (FTAA), which was defeated in an iconic OAS meeting in Mar del Plata in June 2005. He was able to do this in part because of the support of countries that benefited from his petro-diplomacy. He created PetroCaribe, a program that provided discount-rate petroleum to many countries in the Caribbean and Central America (Eguizábal 2010, 80-1). Beyond opposing the FTAA, Chávez also took a leading role in supporting leftist leaders throughout the hemisphere. His administration pumped resources into collaborative initiatives, including the creation of the *Alianza Bolivariana de las Américas* (Bolivarian Alliance of the Americas) or ALBA with other, mostly smaller, countries

in the region, for the promotion of preferential trade, and social and cultural exchange (Hiro 2009, 138-9; Romero and Corrales 2010, 225). As Castañeda (2006) writes, “[m]ost of all, he is attempting, with some success, to split the hemisphere into two camps: one pro-Chávez, one pro-American.”

The 2007 Referendum

The president called for a referendum to amend sixty-nine articles of the Constitution, a change he argued was needed to consolidate his so-called Twenty-First Century Socialism. The referendum was constrained to two yes-or-no questions, which included all the proposed amendments. Among the suggested changes there were many measures favored by Chavistas such as expanding social security benefits to informal workers, reducing the minimum working week from forty-four to thirty-six hours, and banning discrimination based on sexual orientation.

However, there were also policy changes that were perceived by many people as a power over-reach, such as abolishing presidential term limits, giving the president the power to declare an unlimited state of emergency, and the ability to control elected governors and mayors through an unelected “popular power” body dependent on the president. The referendum was narrowly defeated, and exit polls show that the majority of voters were Chavistas, meaning that even some of the president’s supporters did not like the proposed amendments and were willing to vote against him on this, even at the expense of not moving forward on other policies they preferred (Gould 2007; Romero 2007).

The 2007 referendum exemplifies the main paradox of Chávez’s politics. On the one hand, in order to implement the policies it considered critical for improving the wellbeing of the population, the administration consolidated power in the executive and attempted to continue

doing so through initiatives such as those proposed in 2007. On the other hand, it promoted the idea of citizen participation, created legal mechanisms for such participation, and funded programs that trained and informed people about their rights in ways that allowed them to resist the implementation of policies they deemed inappropriate, by participating in mechanisms such as the referendum. This paradox of citizen participation vs. top-down politics was a complicated balance to keep for the administration, one that even Chávez's supporters on the left criticized (Wilpert 2007).

The 2008 economic recession

In 2008 the global economic recession shook the world and Venezuela was no exception. OPEC oil prices fell by more than a third of their value from 2008 to 2009, bouncing back to pre-recession prices by early 2011 (revisit Figures 3.2.1 to 3.2.3).

In contrast to what countries following neoliberal prescriptions did, but in line with the advice provided by economists like Paul Krugman (2012) and Joseph Stiglitz (2010), Venezuela implemented counter-cyclical macroeconomic measures in 2010 to limit the impact of the recession on the poor and the middle classes to accelerate the recovery. Despite forecasts that the recession in the oil-dependent country would make the political system collapse, the economy was back growing at 5.6 percent by 2012, with growth led by government construction projects. To its favor, Venezuela had a low debt-to-GDP ratio which allowed it to borrow in the case of a sharp fall in oil prices. It also had a significant trade surplus and therefore a balance of payments crisis did not seem near. Moreover, contrary to criticisms of supposed Venezuelan waste in social programs that would result in an unsustainable path of the type that recently

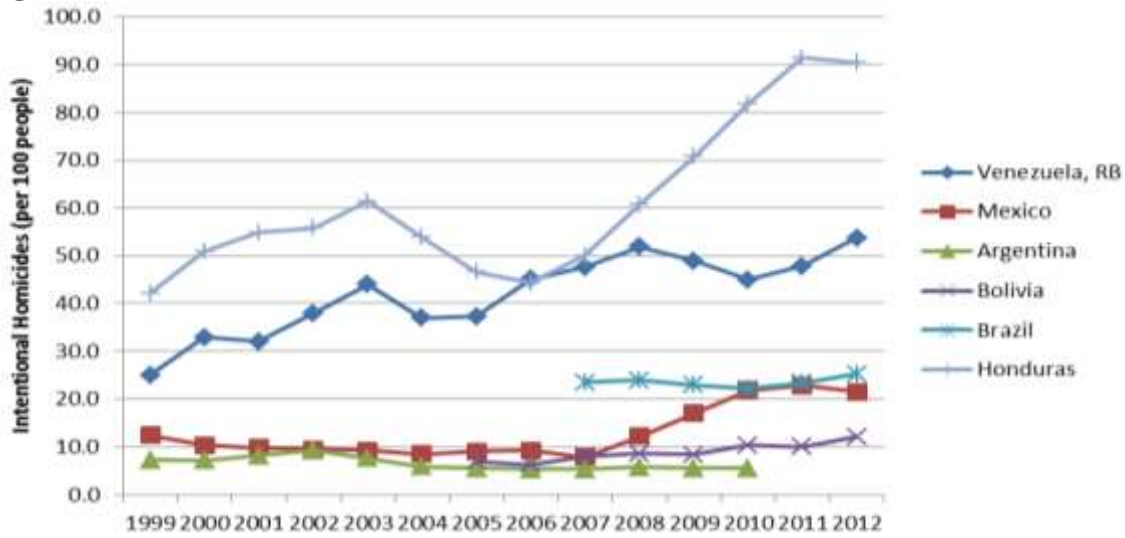
affected Greece and other European nations, Venezuela did not have such large account deficits that could push the economy into a recession (Weisbrot 2013b; Weisbrot and Johnston 2012).

Rise in crime

The situation that most negatively affected Venezuelans' quality of life during the Chávez presidency was undoubtedly the dramatic increase in crime that the country experienced. Contrary to what some expected based on his military past, the president's strategy to address this issue consisted in the beginning in believing that poverty reduction strategies would take care of the problem. Most the crime took place in Caracas, the capital city governed by the opposition, where political silos and distrust between local and federal government made it more difficult to implement effective security strategies. In some places, the government also attempted the implementation of participatory community crime prevention initiatives, which were not followed up with the necessary resources and policy clarity to be successful (El Achkar 2012; Ungar 2003).

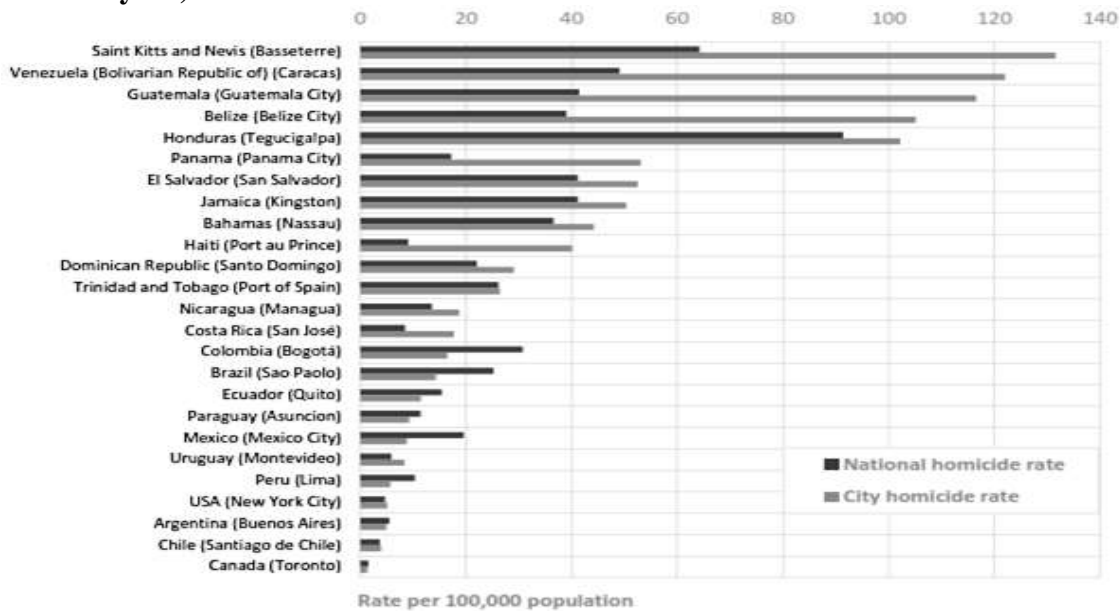
According to the World Bank's World Development Indicators, Venezuela's intentional homicide rate more than doubled from 25 homicides per 100,000 people in 1999, to 53.7 in 2012 (World Bank 2016c). While other Latin American countries, such as Brazil, have also had high homicide rates at above 20 homicides per 100,000 people, those numbers have remained stable, while Venezuela's pattern has been steadily increasing since 1995, placing it just second in the hemisphere after Honduras (UNODC 2013, 33). Other countries experienced a surge in homicide too, like Mexico under the presidency of Felipe Calderón since 2007. Mexico's homicide rate almost tripled in three years, from 7.8 in 2007 to 21.8 in 2010. Still, Mexico's levels remained at less than half of those reached in Venezuela (see Figure 3.2.3), and they reflect Mexico's role in the U.S. drug war.

Figure 3.2.3. Intentional Homicides, select Latin American countries. 1999-2012



Source: World Development Indicators. World Bank (2016c)

Figure 3.2.4. Homicides rates: Most populous city rate versus national rate, Americas (2012 or latest year)



Source: UNODC (2013, 150)

A significantly large portion of crime in general, and homicides in particular, take place in the capital city Caracas. In 2012, this was the capital city with the second highest homicide

rate in the hemisphere, with a rate of 122 homicides per 100,000 people⁸⁷ (Figure 3.2.4). In other words, almost two thirds of the crime that occurs in Venezuela takes place in Caracas (UNODC 2013, 146,50), which contains only 10 percent of the population, 15 percent considering the larger metropolitan area. Caracas' political situation is not conducive to a clear and strong security policy. Part of the city is constitutionally defined as Capital District, which includes the area where the president's mansion and the main federal buildings stand, and is governed by a Chief of Government appointed by the president. Capital District is part of a larger area called Caracas' Metropolitan District (Caracas), governed by the *Alcaldía Mayor de Caracas*, a sort of overarching mayoralty for the district. This position was won by members of Chávez party MVR from 2000 to 2008, when opposition candidate Antonio Ledezma won the elections. Ledezma was reelected in 2013 to serve until 2017.

The part of Caracas Metropolitan District outside of the Capital District encompasses four small municipalities, all governed in 2013 by the opposition. Caracas is part of Miranda state, governed by Henrique Capriles, former presidential candidate from the opposition party Primero Justicia (PJ). Capriles was first elected governor of Miranda state in 2008, reelected in 2012 for a term that ends in 2016. The Caracas Metropolitan District's legislature also has had a non-Chavista majority since 2004. This balance of power basically means that the opposition to Chávez has much of the political control of the city, but blames the president for the high crime rates, while at the same time it resists the notion of the federal government centralizing security enforcement and increasing its control of the city.

The causes of the spike in violence in Venezuela in general, and in Caracas in particular, are still unclear. In their analysis of Latin American countries, Briceño-León, Villaveces and

⁸⁷ The homicide figure used for Caracas in the UNODC report is actually from 2009, though the report was published in 2012.

Concha-Eastman argue that “countries that report the highest rates of homicide tend to be countries with high proportions of urban population and high rates of poverty (Colombia, El Salvador, Honduras, Venezuela, and Brazil)” (2008, 752). Their study shows that while poverty in Venezuela is at a medium level, compared to other Latin American countries, the percentage of urban population is one of the highest in the world, at 92.8 in 2007 (2008, 753) and 93.7 in 2012. That is, their argument about poverty as one of the main factors driving crime does not apply in this country, though the urban component of the argument does significantly. Bergman’s review of recent studies of crime in Latin America concludes that there is no significant research that can explain the recent rise in criminality and citizen insecurity in Latin America (2006, 223).

Briceño-León argues that the message from the Chávez administration in relation to the issue of security was confusing. According to him, on the one hand there were statements of the ‘iron hand’ type expected from a former military man, but on the other hand he tried to focus on the structural causes of violence and tried not to appear repressive (Briceño-León 2007). The government implemented various programs focused on strengthening community ties, non-violent conflict resolution, sports programs for crime prevention, etc. Han Chen et al (2008) analyze these type of participatory community initiatives oriented to prevent crime in Maracaibo municipality, concluding that they can be important in reducing violence, but the impact of programs like these can be observed only in the mid to long-term.

According to the Venezuelan Observatory on Violence (OVV)⁸⁸, a non-profit organization critical of Chávez’s policies, the causes of violence in Venezuela are not poverty,

⁸⁸ OVV has become one of the main sources of information used by the opposition and the foreign press to report on crime figures in Venezuela, especially since official numbers have not been clearly available since 2012. However, despite presenting its information as academically rigorous, OVV’s numbers on crime are estimates and forecasts (Kronick 2014; OVV 2015). This results in a linear increase in homicides since 2008 according to OVV and

unemployment, or inequality, as the government suggests. For OVV, institutional weakness and impunity are at the core of the rise in crime (Briceño-León, Ávila, and Camardiel 2013). This perception is shared by the Venezuelan human rights organization PROVEA⁸⁹, which in its 2013 Annual Report argues that one of the reasons for the increase in crime is the lack of efficiency in the criminal justice system, which results in increased impunity (PROVEA 2013, 435). According to this organization, Venezuela lacks resources to operate the criminal justice effectively, from insufficient police cars and law enforcement equipment, to an inadequate number of judges to process cases.

Another cause of the rise in crime, which really began in the 1990s, was the 1989 Decentralization Law, which led to a massive proliferation of municipal forces, which were unprepared for policing and did not coordinate with each other, particularly in the DF, where municipal police also had to coordinate with federal security agencies (Ungar 2003).

In addition, Lorenzo Labrique, Coordinator of PROVEA's Human Rights Monitoring Program, explains that according to polls, people used to be more afraid of police than of thieves, but that the creation in 2007 of a National Commission for Police Reform including representation of all sectors in society showed for the first time a strong commitment from the executive in this area (Labrique 2008). However, as Labrique explains, political differences between the federal government and the opposition resulted in various changes in the commission's leadership, holding back the small progress made in the beginning.

contrary to the government's figures and those by PROVEA and the UNODC, which keep the homicide rate mostly unchanged from 2008 to 2012 (UNODC 2013, 127). For an in-depth analysis of how OVV's forecasts can be up to 20 percent higher than research-based estimates, see Kronick (Kronick 2016).

⁸⁹ In their report *A Decade under Chávez*, Human Rights Watch calls non-partisan PROVEA "one of Venezuela's most important human rights organizations," and describes how the organization's work prompted the government's public attack towards it (2008, 220-1). Nonetheless, PROVEA has demonstrated impartiality by also supporting the government when this organization believed that human rights were violated, such as when they sent a letter to the Inter-American Human Rights Commission denouncing the 2002 coup against Chávez on the day he was taken prisoner (PROVEA 2002).

Another aspect that complicates the analysis of Venezuela's homicide spike is the possible role of drug trafficking. There are reports that ex-FARC guerrillas and other organized crime groups, such as the so-called Cartel de los Soles, operate in the country trafficking with drugs and organizing kidnaping rings (CIA 2013; InSightCrime 2015; Margolis 2015). Cited in PROVEA's 2013 report, the Venezuelan Minister of the Interior stated that "72 percent of homicides in the country are the result of conflict among gangs and traffic of illegal substances" (PROVEA 2013, 446). These numbers reflect a possible characteristic of the issue of crime that does not seem to have been given enough importance in most analysis of this problem in Venezuela.

Criminal justice is often a complicated political issue (Gilling 1997; Koch 1998), and the case of Venezuela is not the exception. The issue of crime became highly polarized in the country, which complicated the understanding of the situation and the definition and implementation of solutions (PROVEA 2012, 400-1). Despite the fact that crime has been on the rise since the mid-1990s (Briceño-León 2007, 559-60), the opposition blamed Chávez for it. In contrast, the administration's approach during its first years was that much of the crime was caused by the opposition and their destabilizing campaign from 2001 to 2004. Chávez often argued that once the opposition lowered its belligerence, improvements in quality of life through the government's social and economic programs would reduce the criminality produced by poverty and unemployment. However, even as both of these conditions were taking place, crime did not subside. On the contrary, it continued to rise until 2013, when it experienced a decline of 17.3 percent after Chávez successor, Nicolás Maduro, implemented a community prevention plan and a disarmament plan (PROVEA 2013, 443-7).

The drift towards Authoritarianism

Chávez's reliance on polarization as a tool to garner support is criticized by observers who see it as a manipulative tactic that weakens democracy (Corrales 2011b). Ellner and Hellinger (2003) argue that this dynamic between Chávez and the opposition began after the electoral campaign of 1998, and just increased from there, emptying the political center. Polarization in Venezuela was also fanned by the simplistic characterizations that Chávez and his adversaries used against each other. Dismissing his electoral victories, the opposition continually depicted the president as a dictator or an authoritarian nationalist, while the president alienated even some members of his original voting bloc by accusing them of being oligarchs or their pawns.

The second most common political criticism towards Chávez focuses on the lack of space for the opposition that the political system allowed. Corrales (2010), for example, contrasts this to the *Punto Fijo* period, when a party in the opposition still held significant power due to its previously ascribed political clientele, which resulted in both parties often being unresponsive to their constituents' demands in order not to jeopardize the Punto Fijo agreement that secured the system's survival and their continued enjoyment of it (McCoy and Myers 2006). According to Corrales, under Chavismo the opposition had very limited space granted by the government that instead favored the demands of the majority that elected it. It was difficult for both Chávez and the other parties to find feasible ways to work in opposition under a democracy that attempted to leave the puntofijista arrangement behind, and both government and opposition most of the time sought conflict and polarization than compromise and collaboration.

Some observers, like Wilpert (2013), argue that Chávez was responding to the mandate he had received through elections, and that the outcome of the democratic process resulted in the

implementation of an agenda resisted by those who had benefited from the previous status quo. Corrales also acknowledges that many analysts agree that the Chávez administration acted within the democratic limits that most Latin American and other developing nations keep. However, according to him Venezuela clearly crossed a line and became a “competitive authoritarian” system (Corrales 2011a; Corrales and Penfold-Becerra 2011).

A 2009 report by the Inter-American Commission on Human Rights titled *Democracy and Human Rights in Venezuela* illustrates these claims. The report acknowledges positive aspects of the Chávez presidency, such as the existence of competitive elections monitored by international organizations, the efforts taken by the state to implement participatory policies, the existence of venues for political participation such as referenda, and progress made in the reduction of poverty and inequality. At the same time, the report describes an increasing hardening of the political system, which includes limitations imposed on opposition candidates to run for office, limitations on freedom of the press, and restrictions on the right to assembly (IACHR 2009).

Nonetheless, the report shows some of the nuanced complexities around these issues. For example, it describes that while authorities accused some media outlets such as Globovision of promoting a campaign against the government, it is also true that these outlets do have a constant negative coverage about the government and in support for the opposition, and that news outlets are not shut down by the government, though this has not renewed licenses for public broadcasting to some of them who used that space to call for anti-government mobilizations. In another example, the report explains that some of the limitations on the right of assembly are not due to governmental interference, but to conflict between opposition and Chavista protest groups. In these cases, the commission argues that the government should do more to avoid

protesters from different sides to clash violently with each other. These examples show that, while the Chávez's government did not become as authoritarian and repressive as the opposition argued, it did engage in political conflict with the opposition and it increasingly used for that many of the tools available under the conditions of a highly centralized system.

A third line of political criticism to the Chávez presidency argues that the administration's social programs were a political maneuver to create dependency in poor people and secure their unconditional support. Section 5.2.2 on the participatory democracy experiment in Venezuela analyzes these claims in depth. While it is true that the centralization of social programs into the presidency encouraged the perception that these were the president's gifts to people, it is also true that many aspects of the government's public communication constantly emphasized that public programs stem from rights enshrined in the 1999 constitution.⁹⁰ The importance of this is that, at a difference of short-lived and often clientelist programs in other places, Venezuelan constituents increasingly knew that the benefits they received from governmental programs were their right and not a gift. Nonetheless, the 2007 referendum was the first significant test of the criticism that Chávez supporters were "a mass indifferent towards democracy" (Canache 2002, 148-50) who instead of becoming empowered and participant through the government's programs, it had instead grown too dependent on them, and intimidated by Chávez, to dare to challenge his rule (Corrales and Penfold-Becerra 2007). The negative result for Chávez was a statement about the independence of the Chavista voters and a rejection of power concentration.

However, in 2009, Chávez was able to finally win a referendum to remove term limits. More than 54 percent of voters supported the president's request, which he argued was necessary

⁹⁰ For example, food products distributed by the Mercal supermarkets had in the packaging the description of an article from the constitution.

in order to “deepen socialism” in the country. The vote, as usual, was framed as a plebiscite on Chávez’s presidency, though the opposition tried to capitalize on increasing discontent due to the high crime rates in the country. Nonetheless, the president’s supporters this time decided, ironically, that the possible dangers of giving him increased power were worthwhile if he was able to keep his promises of increasing the breadth and the depth of participatory programs and policies (Forero 2009a; Hidalgo 2009).

Chávez’s death

Chávez was elected president for a fourth term in October of 2012 with the lowest margin of victory of all his electoral victories, 55.1 percent, but with a strong turnout of eighty percent. Before his inauguration scheduled for January 10th, 2013, the president traveled to Cuba to be treated for cancer. Not returning to Venezuela on time for the inauguration, a controversy ensued as the Supreme Court decided that, since Chávez was a sitting president, the formality of inauguration could be bypassed, while the opposition tried to use the opportunity to call for a new election. Hugo Chávez died on March 5th, and Vice-president Nicolás Maduro took over the presidency until he was formally elected that same year in a campaign promising the continuation of Chávez’s legacy.

Conclusion of Section 3.2.1

Hugo Chávez used the large popular support he received for over a decade to push for strong political change that included the creation of a new constitution and the dismantlement of the entrenched political power traditionally held by the *partidocracia* parties and their allies in the economic elite. In response, this powerful opposition removed the president for two days in

what ended up being a failed coup, and immobilized the country for two months during the oil lockout.

After this contentious period, Chávez won important national and local/state elections and defeated a recall referendum organized by the opposition. Record-high oil revenues facilitated a stronger implementation of redistributive policies. The government's social and economic programs included innovative components that sought to increase the participation of its beneficiaries, and resulted in an increase in the governments' popularity and support.

In 2007, Chávez faced his first electoral defeat in a referendum that would have granted him extensive powers. The majority gap for that result was provided by Chavistas themselves, demonstrating that while they supported many of the presidents' initiatives, they had not become an intimidated and dependent mass, as some had characterized them. The tension between Chávez's tendency toward a top-down governing approach, and the participatory democracy his government promoted, was a constant during his presidency. Nonetheless, under Chávez the spaces and mechanisms for the public's involvement in government programs have definitely changed from the clientelist nature of the *Punto Fijo* period, to more participatory practices.

3.2.2 THE PROMOTION OF PARTICIPATORY DEMOCRACY

When Hugo Chávez won the 1998 election, his supporters hoped that his government would reduce the inequality and poverty that had increased during the period of neoliberal policies. They also expected that he would fulfill the promise of implementing a constitutional and political reform to make government more responsive to the majority of Venezuelans, not only to the economic and political elites. In order to reduce inequality and poverty, most people

understood that the government would have to implement some form of redistributive policies. However, it was unclear what the government could do to deepen democracy. In a departure from what other leftist governments have done in Latin America in recent years, the Chávez administration made it a priority to make democracy more participatory. This section explores some of the ways in which the government did this, and it assesses the paradoxical tension that resulted from increased popular participation promoted by a centralizing government.

*Sources of Chávez's Participatory Democracy: Popular Education, Liberation Theology
and Venezuelan Nationalism*

The concept of participatory democracy is key to the distinctive approach to governance adopted by the Chávez administration. This idea gives specific content to what some observers generally describe as the need to deepen democracy⁹¹ due to concerns that electoral democracy is an important step in democracy consolidation, but one that should be followed by efforts to increase democratic substance (Roberts 1998). Participatory democracy has various sources of theory and practice in the Latin American experience, as well as some specific sources of inspiration stemming from Venezuela's history itself.

Since the late 1960s there has been a philosophical, ideological and political movement in Latin America known as popular education, which promotes grassroots-based education and empowerment in order to achieve social change. This perspective has also developed in direct contradiction to modernist and hierarchical views that understand the poor as non-thinking masses that can only progress through the actions of others. These opposite perspectives on the possible role the poor and disenfranchised can play in their own development also inform the political approaches that differentiated Chávez's policies from his predecessors.

⁹¹ See fn.1, and the Literature Review section for a broader discussion on the topic.

One of the most relevant popular education thinkers was Paulo Freire, whose *Pedagogy of the Oppressed* (1968) focuses on replacing the oppressive message of top-down education with one that builds learning techniques based on placing the daily experiences and wisdom of regular people at the center of the learning process. Popular education philosophy was inspirational in many of the adult literacy campaigns that took place in Latin America from the 1960s to the 1980s, and it was also used to create seeds of community organizing in the most marginalized areas in the continent (Fink 1992; Landim 1987; Stromquist 1992).

Similarly to popular education, liberation theology gained strength during the same years and also had a message in which the poor have priority over the rich in the eyes of God, who did not want them to suffer but instead wanted them to fight for their own liberation (Boff and Boff 1987; Gutiérrez 1973). During the seventies and eighties these ideas influenced the grassroots political and in some cases military action of many groups in the region, such as guerrilla movements in El Salvador, Nicaragua, Guatemala and Mexico. Other efforts, such as the Christian Base Communities or CEBs in Brazil and El Salvador played a critical role in resisting repression and ending dictatorship.

During the neoliberal implementation in the 1980s and 1990s, many of these same groups throughout Latin America criticized the attitudes of international agencies that addressed poor people as ignorant and defenseless beneficiaries who had to be told what they needed to do in order to progress. These agencies most of the time did not take into account the oppressive political and economic forces at the root of poverty. In contrast, local groups and organizations lobbied for, and implemented, development programs that focused on people as participant actors, who needed to be involved in the assessment of their needs, as well as in the design, implementation and evaluation of programs. Members of these organizations developed a

significant level of specialization during this time, which resulted in plans and tools for participatory assessment, group development and facilitation, non-violent conflict resolution, etc. Through time, even international agencies such as the World Bank and the Inter-American Foundation recognized the importance of participation in development projects, and used former members of these organizations as consultants (Loja 2007; Spelz 2007).

It is unclear how ideas and mechanisms of participatory development that were originally developed by grassroots movements made it into Chávez's resource toolbox. As a presidential candidate it was common to hear him articulate change in terms of political and social struggle, but there were no clear linkages between him and the kinds of grassroots movements that, for example, Luiz Inácio "Lula" da Silva had in Brazil with union workers, grassroots movements and CEBs when he ran for president. It is known that Hugo Chávez was an avid reader, particularly of historical, philosophical and political works related to Latin America's liberation,⁹² and therefore it is reasonable to assume that he was familiar with the role that the idea of participation had played in social movements throughout the region (Jones 2007). In addition, many members of his political coalition came from civil organizations that had practiced popular education for years (Ciccariello-Maher 2013). Nonetheless, civil society leaders like Consuelo Murillo, executive director of the Venezuelan Network of Social Development Organizations REDSOC, complain that the government did not seek the collaboration or expertise of the civil society organizations working in development from a participatory perspective in the years before Chávez came to power (Murillo 2008).

Some of Chávez's statements as president reflected an explicit connection with the premises of liberation theology. For example, in his speech at the 2006 World Social Forum he

⁹² Chávez used to talk about many of these works in his radio program *Aló Presidente* and famously gave U.S. President Barack Obama a copy of Eduardo Galeano's classic *The Open Veins of Latin America* at an OAS meeting.

said “Christ, one of the greatest anti-imperialist fighters in the history of the world, the true Christ, redeemer of the poor [was] one of the greatest revolutionaries” (Chávez Frías 2005, 2). He often stressed that the injustices and inequalities produced by greed and capitalism were against God’s plan, arguing that “if Jesus would come here again [...] he would be an anti-neoliberal person” (Rojas González 2013, 161). On what refers to participation, Chávez talked occasionally in liberation theology’s terms, asserting that people’s action was required to transform the world and build a more equal society on Earth, in Venezuela (Rojas González 2013, 160-3).

Another source of Chávez’s commitment to participatory democracy is Venezuela’s history itself. According to Eastwood and Saucedo (2007), the idea of a collective leadership role that is inherent to *the people* (el pueblo), especially those traditionally marginalized, is part of a traditional Venezuelan nationalism that Chávez embraced. These authors argue that there is a tradition of Venezuelan nationalism, from Bolívar to Chávez, including Betancourt, characterized by strong leaders who, in contrast to the traditional caudillo argument, do not project their leadership on the basis of their individual qualifications, but as their service to the national project of the collective actor ‘the people.’ Therefore, the idea of participation can be found in Chávez, remembering Bolívar, when he states that they were not the leaders of movements, but rather tools of the people’s revolutionary collective will.

Independently of how the idea of participatory democracy came to Chávez, it took primacy in his political view early in his presidency, as reflected in his first significant initiative: the 1999 Constitution⁹³.

⁹³ During his presidency, Chávez often referred to the idea of popular education in the context of education policy, most commonly linking it to the works of Venezuelan philosopher and educator Simón Rodríguez, one of Simón Bolívar mentors, but also invoking popular education’s founding fathers such as Paulo Freire (Griffiths and Williams 2009, 42; Hernández Tedesco 2012, 67).

Participatory Democracy in the 1999 Constitution

The preamble for the 1999 Constitution states as its main goal the establishment of a democratic, participatory, *protagonist*⁹⁴, multiethnic and multicultural society. This participatory vision is repeated fifty-nine times in various other sections in the document, amongst the most relevant: Article 6, which defines the nature of government as participatory; Article 62 which states the importance of people's participation in public policy in order to guarantee people's individual and collective development; Article 70, which states a number of possibilities for participation, from elected office to membership in local councils, cooperatives, etc.; Article 83, which defines health care as a right and participation in health care promotion as a duty; Article 102 prescribing participation in social transformation as one of education's goals; Article 178, which describes promotion of participation as being within the competence of the State. Such mentions of participation in the constitution hint to the operational relevance this concept would later have in the Chávez administration, and create a legal framework for its enforcement.

The idea of participatory democracy was critical in the Chávez administration as a response to the negative connotation that the idea of representative democracy had in Venezuela after the *Punto Fijo* period (McCoy 2006). However, in the beginning, this relatively new idea was not clearly developed as a tool for governance, and took shape in practice over the years, with many changes along the way. Among the main areas in which participatory democracy becomes concrete, according to the constitution, are: referenda, local public planning councils, social oversight (*contraloría social*), citizen assemblies, and civil society involvement in governance (Wilpert 2007, 53-5).

⁹⁴ A term borrowed from popular education philosophy, meaning that the people, especially the disenfranchised, are to be *protagonists* of their destiny as opposed to spectators of a society designed by those with privilege to benefit themselves (Liebel 2007, 62).

Some of these areas are generally straight forward, such as referenda, which have been used by both the opposition and Chavismo. Referenda have produced results that significantly impacted the course of Venezuelan history, such as the legitimate continuation of the Chávez presidency after the recall referendum, or placing limits on the president's agenda in the 2007 referendum. Some other attempts at using participation are quite ambitious, trying to involve large sectors of the population in permanent ways through localized organizational units. The challenges these experiences present resulted in evolving iterations of similar programs throughout the years of the Chávez administration.

Early attempts at implementing participatory democracy

Since the beginning of his administration, Chávez tried to promote spaces for participation such as the Círculos Bolivarianos, or to embed participatory practices within activities the government was already carrying on, as in water works. These initial experiments provided the government with a popular base and valuable lessons that it would later use in the implementation of most ambitious participatory initiatives.

While many people developed as activists through participating in the initiatives promoted by the government, there are many who had a long history of activism in a wide variety of experiences, including political parties, labor unions, urban movements like the *23 de Enero*, and even church or neighborhood associations. Many of them were instrumental to jump-start some of the early initiatives, which provided invaluable experience in making participatory practices work. However, many of them do not see themselves as Chavistas, or as having participated in the government programs because of Chávez. Instead, they argue that they support *el proceso* (the process), which they see as long-term struggle for societal change, one in

which Chávez is only a temporal piece, but not one more important than the people themselves (Martinez, Fox, and Farrell 2010; Valencia Ramírez 2007).

One of the early initiatives the administration promoted in order to create spaces for popular participation were the *Círculos Bolivarianos* (Bolivarian Circles), which in theory were groups independent from the government that sought to increase education and politicization of their members and to help direct community members to government services they needed. The *Círculos* were modeled after the study groups Chávez organized during his time in the military, and were initially formed by politicized Chavistas who were wary of the political parties as a main route for their activism. Once formed, these spaces provided people without experience in political involvement the opportunity to connect with services and to begin informal processes of study and discussion that most of the time were in line with the president's ideology (Valencia Ramírez 2007, 127-9). For this reason, while the *Círculos* expanded the number of people involved, estimated at 2.2 million members by 2003 (Chaves 2003), and became an instrumental tool for the implementation of the Misiones, Chávez landmark social programs, some saw the *Círculos* as mostly a political initiative tied to the Chavismo and not conducive to enhancing pluralism (Hawkins and Hansen 2006). The vast numbers of people involved in these structures and the political and organizational machinery they developed were critical in making it possible for Chávez to resist the 2002 coup attempt (Ellner 2008, 181-2).

Another early example of concrete implementation of the participation mandate included in the 1999 Constitution were the *Mesas Técnicas del Agua* (Waterworks Technical Councils) or MTAs. At a difference to the political nature of the *Círculos Bolivarianos*, the MTAs were an exclusively technical initiative oriented to improve the provision of services. The MTAs goal was to promote community involvement in assessment, planning and evaluation of water

projects, transforming in this way the relationship between the water management agency and poor people, a relationship that in the past consisted mostly of requests for services that large sectors of the population did not have. MTAs were formed by community members who in conjunction with local officials and in open and public meetings developed projects for increasing and improving water supply to their communities. By 2004, there were already almost two thousand organized and active MTAs (PROVEA 2004, 496).

The *Comités de Tierra Urbana* (Urban Land Committees) or CTUs provide another case of goal-oriented involvement. They were formed by neighbors covering an area of about two hundred houses each, charged to assess their neighborhood and work with the government in order to regularize land and houses that did not have proper documentation, many of them former squatter settlements. Based also on a new constitutional provision, this program required active participation from the CTUs in order to be implemented. By 2004 there were already 3,609 CTUs registered and over two thousand more in the registration process, having resulted at the time in land tenure papers that benefitted more than one hundred thousand families (PROVEA 2004, 497).

Participatory democracy through government agencies and local community structures

The 1999 constitution also institutionalized the idea of participatory democracy through a variety of legal frameworks, such as requirements for participatory assessments, participatory budgeting⁹⁵, and a social audit for all community projects. In order to oversee the

⁹⁵ Participatory budgeting is a tool for community involvement in government budget decisions, successfully implemented in Porto Alegre Brazil in 1989 (Avritzer 2009; Wampler 2007) and adopted since then in many other cities, including in the U.S. (Baiocchi and Ganuza 2014; Fung, Wright, and Abers 2003; Stewart et al. 2014). In Caracas the small party La Causa R tried to implement participatory budgeting without success due to nationally centralized authority and strong puntofijista parties, which restricted the resources available for budgeting and the space for the participation of non-AD or –Copei members of the public (Goldfrank 2007).

implementation of these participatory democracy instruments, the constitution also created representative bodies called Public Planning Local Councils (also known as CLPPs). The National Assembly passed the CLPP law in June 2002 to regulate them, establishing them geographically as municipal units. It also defined their composition to include the mayor and municipal council, and representatives from neighborhood groups and civil organizations, in a way that 49 percent of CLPP representation would fall on the local government and 51 percent on the community (Harnecker 2010, 128-9).

The implementation of the CLPPs faced a number of challenges: First, their geographical definition was too large to realistically enable communities to participate. Second, the resources allocated to each CLPP were roughly the same, which negatively affected densely populated areas, resulting in discontent. Third, CLPP decisions are not binding, which caused reductions in community expectations and level of participation. Fourth, participatory practices require citizen education, interest and dedication that not many people had developed during the first years of the administration or before, resulting in better outcomes in places with experience of activism than in those that lacked it. And fifth, there was resistance from some mayors and city councils to what they perceived as the federal government depriving them of part of the power they had earned through elections (Wilpert 2007, 56-8).

In order to further institutionalize participatory democracy and solve the issues found in the implementation of CLPPs, the Venezuelan government created in 2005 the *Ministerio de Participación Popular y Desarrollo Social* (People's Participation and Social Development Ministry) or MINPADES, an agency charged with facilitating participation efforts in the government's development programs. This agency worked initially at providing support to CLPPs mostly based on the Círculos experience. However, trying to consolidate the perceived

success of goal-oriented, small-group experiences like the MTAs, Health Committees, and the Urban Land Committees, the National Assembly passed a law in 2006 that created organizations known as *Consejos Comunales* (Community Councils or CCs). The law also established a vast infrastructure focused on increasing and better organizing the number of people who participated in the implementation of the government's key initiatives (Ellner 2009).

A Consejo Comunal was defined to incorporate from 150 to 400 families in urban areas and between 50 and 100 families in low-density areas. This design is the result of MINPADES' analysis of the CTU's and Health Committees' experiences, which showed that small groupings better facilitate trust building, participation, and local leadership. A Consejo Comunal also coordinates with existing local organizations on issues where these have expertise. Once a Consejo is created, it receives training from MINPADES and begins a participatory process of needs assessment and budgeting, for which the quorum established by law is twenty percent of a community's population over 15 years old. Binding decisions are taken in citizen assemblies and elected members of the Consejos Comunales serve as spokespeople. One of the early challenges this experiment faced was actually related to the role played by Consejo members, which on occasion would repeat old tendencies to use the position just to build a political career, without doing the community-building work that was expected from that position (Harnecker 2010, 130-2).

By 2006 there were over 16,000 community councils in the country. An important step in strengthening this initiative was the incorporation into the councils of the various types of committees that existed for some of the other programs, automatically building its stock of organizational experience and relationships. By the end of 2006 the administration had granted approximately \$1.5 billion in community improvement grants, with the goal of increasing the

amount to \$5 billion in 2007, representing about thirty percent of the funds the government directs to states and localities (Wilpert 2007, 59-60). In March 2008 there existed over 36,812 Consejos (Machado 2009, 179), and a recent *Censo Comunal* (a census of all the government-promoted participatory initiatives) states that in 2013 there existed 40,035⁹⁶ Consejos Comunales (MPComunas 2013).

These structures have been relatively successful at increasing territorial coverage, as shown in two separate surveys in which 62.6 percent and 71.5 percent of people responded that they knew about the existence of Consejos Comunales in their communities (Machado 2009, 179-80). Another relevant characteristic of the Consejos is the level of social accountability that apparently exists in them, as 78 percent of surveyed Consejo spokespeople responded that their communities do evaluate and check the books on the projects, in a process the Venezuelan government calls social audit (Machado 2008). Nonetheless, the criticism that this structure can be prone to clientelism remains, and while there are no documented significant instances of this, designers of the system believe that this problem can be avoided because decisions are made on the basis of specific technical criteria and by the fact that the average amount of funding is similar for every council (Wilpert 2011, 119-20)

Through the passage of the Communes Law in 2009, the National Assembly created the *Comunas* (Communes), and the government changed the name of MINPADES to *Ministerio para las Comunas y Protección Social* (Ministry of Communes and Social Protection) (Harnecker 2010, 128 fn.10). The Communes Law establishes that one of the main goals of the Comunas is to guarantee the existence of direct participation mechanisms for citizen involvement in most aspects of social and political life (Asamblea Nacional de la República Bolivariana de Venezuela 2010). The opposition feared that the Comunas would become a parallel form of

⁹⁶ Other sources use the figure of 44,000 communal councils for 2013 (Azzellini 2013, 26).

government dependent of the president, in the belief that they would increasingly get resources for local projects that traditionally went to local governments, making these weak and irrelevant (López 2010). Nonetheless, the Comunas are mostly a superstructure intended to aggregate Community Councils in order to coordinate in projects of larger scale within geographical boundaries that make sense to the Comuna members (Azzellini 2013). According to the *Censo Comunal*, in 2013 Venezuela counted 1,401 Comunas (MPComunas 2013).

Participatory Democracy in Social Programs: Misiones Bolivarianas

The government's main economic and social initiatives took the name *Misiones Bolivarianas* (or Bolivarian Missions) in 2003, becoming more organized versions of the makeshift Plan Bolívar 2000, which was Chávez's first attempt to increase the government's role in social areas. The Misiones' main goals are: to increase the access of poor people to social services; to promote participation of sectors traditionally marginalized from public policy and benefits from the state; to establish institutions that are less bureaucratic and more responsive to the needs of the popular sectors; and, to develop productive community projects based on solidarity and sustainability (D'Elia 2006, 9). By 2012, dozens of Misiones had been implemented in the country, mostly in the areas of education, health, food access, housing, and the cooperative economy. The quantitative assessment of the Chávez administration in Chapter 4 includes statistics of some of the missions highlighted here.

Among the most famous of these initiatives are: Misión *Barrio Adentro* (which literally means "into the neighborhood") I and II, which bring healthcare services into poor and under-

serviced areas (PAHO 2006)⁹⁷; Misión Robinson for adult education⁹⁸; Misión Ribas, charged with providing access and improving educational standards at the middle school level for those in need; and Misión Sucre which is the Misión Ribas version for college level. Another program that played a significant role in improving poor people's quality of life is Misión Mercal, which sells subsidized food at lower prices, achieving not only access to food but also helping to lower prices that anti-Chavistas speculators were artificially inflating to hurt the government. According to Nestor Luengo, professor at Universidad Católica Andrés Bello (UCAB), Misión Mercal was successful in food distribution at low prices, but the problem is that they also depend on imported food because most of the food in the country is imported (Luengo 2008). All these initiatives turned out to be so popular that members of the opposition had to recognize their success, and in the 2006 elections they even campaigned with the promise to improve them instead of dismantling them if they were elected (Briggs and Mantini-Briggs 2009, 553; Jones 2007, 389). Still, some argue that the lack of integration of the Bolivarian Misiones to the rest of the state apparatus jeopardizes their sustainability and continuity, as institutional bypassing may make their long-term institutionalization difficult, as it has been the case of lack of coordination between Misión Barrio Adentro and the rest of the healthcare system (Daguerre 2011).

In most missions, in order for a project or benefit to be implemented in a neighborhood or town, it is necessary to have some existing level of community organization and commitment. For example, community members need to create a health committee that would be responsible

⁹⁷ “The Pan American Health Organization (PAHO/WHO) is an international public health agency with more than 100 years of experience in working to improve health and living standards of the countries of the Americas. It serves as the specialized organization for health of the Inter-American System. It also serves as the Regional Office for the Americas of the World Health Organization (WHO) and enjoys international recognition as part of the United Nations system”.

⁹⁸ For an analysis of Misión Robinson, showing improvement in literacy rates but questioning the government's claim of having eradicated illiteracy, see Ortega and Rodríguez's “Freed from Illiteracy? A Closer Look at Venezuela's *Misión Robinson* Literacy Campaign” (2008).

to some extent for care and promotion of a health clinic before one is established in a neighborhood, or a group of workers needs to be organized into a committee before a cooperative receives support. In addition, the state not only funds and provides training for the projects, but it also provides training in aspects that can be significant for the long-term strength and success of the committee. For example, Misión agencies provide workshops on collective decision-making, group facilitation, conflict resolution, and participatory development of groups. On this, the government seems to borrow a page from popular education work traditionally done by grassroots' organizations.

A common criticism of the missions is that there is often not enough information available or systematized that would facilitate assessing their workings in detail, and that most of the information that is made available focuses on the programs' results and not so much on their processes, which would allow for a better evaluation (D'Elia 2006). This situation lends itself to accusations about exaggerated claims. For example, Ortega and Rodriguez (2008), question the government assertion of having eradicated illiteracy, arguing that self-reporting on literacy in a household survey suggests that the achievements of Misión Robinson were "quantitatively small and rarely statistically significant" (Ortega and Rodríguez 2008, 25)⁹⁹.

Critics of the Bolivarian Missions point out that these continue the country's clientelist tradition through the politicization of programs. Hawkins (2010b, 195-230), for example, argues that Chavistas benefit disproportionately from the missions. However, he acknowledges that there is lack of evidence of explicit political barriers for non-Chavistas to receive services. This

⁹⁹ Ortega and Rodriguez argue that Misión Robinson (named after the pseudonym used in exile by Simón Bolívar's teacher and mentor Simón Rodríguez) did not actually have an impact in reducing literacy; however World Bank figures show that, while literacy has not been eradicated, it has significantly declined and in 2005 UNESCO named Venezuela a place free from illiteracy. For Weisbrot, the source of such disparity is that the household survey used by Ortega and Rodríguez is "too crude a measure of literacy to support this conclusion" (Weisbrot 2008, 2).

opens the question about the extent to which the non-causal correlation between class-based eligibility for services and political preference is responsible for the disparity he finds.

Also critical of the Misiones Bolivarianas, Penfold-Becerra states that the transfer of oil revenues from PDVSA to the special fund managed by the presidency to finance these projects is opaque and non-budgetary, which makes accountability difficult. According to him, the 5 billion dollars, about 4.5 percent of GDP, managed by the fund made it the largest social fund in Latin America during the first decade of the millennium (Penfold-Becerra 2007, 65). Mercedes de Freitas, Director of the Venezuelan chapter of Transparency International, agrees with this assessment, stating that deficiency in accountability systems is an issue that has always existed in Venezuela. According to her, the important difference during the Chávez presidency was the large amount of money that was generated. She expressed the concern that, as happened during the Carlos Andrés Pérez administration, much of that money would be wasted and not invested. Ms. De Freitas believes that social investment is important, but accountability is crucial to evaluate results and to avoid the perception that the government has something to hide (De Freitas 2008).

Analyzing the first years of the Misiones, Penfold-Becerra argues that their implementation was clientelistic and significant in Chávez's electoral victories of 2004. However, his argument, just as Hawkins', assumes that the government's aid to the poor represents clientelistic support to a political base because most of Chávez voters are poor or low-middle class. For example, when explaining the creation of Misión Identidad to provide an identification card to people who did not have one. The card was needed to access other programs such as Misión Sucre, and Penfold-Becerra sees a political move because "the very poor [were] precisely where Chávez support was the strongest." He adds that this program was

also used to register people to vote and to publicize the government's Misiones "to guarantee that voters benefiting from the programs would be politically enfranchised. It became clear to the opposition that Chávez was thus using the *misiones* in a clientelistic manner to build support among the very poor" (Penfold-Becerra 2007, 73-4).

Penfold-Becerra's argument demonstrates two related aspects that are common in claims of clientelism in the Bolivarian Missions. The first, discussed before, is the presumption that government programs that help the poor are clientelistic by nature. While clientelism is traditionally one of the main challenges in the delivery of social programs, its existence depends on a discriminatory use of resources that includes political allies in the delivery of benefits while excluding the opposition, within a universe of eligible people. It is clear that the danger of clientelistic manipulation exists in programs like the Misiones, but the lack of evidence demonstrating discriminatory practices in the delivery of benefits, especially in a program under so much scrutiny domestically and internationally, is a sign that clientelism is not a clear or widespread problem with this initiative.

The second aspect in Penfold-Becerra's claims that is common to Chávez's opposition is a veiled criticism or disdain about the economic and political empowerment of the poor. Not only are social programs that improve human development seen as waste, but even a program like Misión Identidad that enfranchises a large sector of the population excluded from political participation until then, is criticized as a political move to allow supporters to vote. This reflects to some extent how criticisms about the administration's social programs, while rooted in the country's history of clientelism, they also reflect the long history of classism and social privilege that often enters in contradiction with basic principles of representative democracy.

Misión Barrio Adentro

Misión Barrio Adentro became the flagship of the Bolivarian Missions. Developed initially through a civil society initiative to respond to the health crisis in poor urban areas, this program made visible that the values of solidarity and participation could play a critical role in improving the lives of those more in need. Chávez seized the opportunity that the early phase of the program presented, and launched it at a national scale. This improved the country's health care indicators, built support for participatory practices, and improved the president's poll numbers at the same time.

In 2001, president Chávez appointed María Lourdes Urbaneja, former president of the Latin American Social Medicine (LASM) Association, as health minister. She attempted to implement in the Venezuelan health system LASM's principles of health as a human right, and of social context-based health care. However, she met strong resistance from the Venezuelan Medical Federation, which was aligned with the *puntofijista* parties. This political resistance and the traditional top-down structure of the health system, failed to make the government's first initiatives attractive to physicians, who were hesitant to participate in outreach efforts in marginalized communities. The poor, who were often discriminated against in the clinics of the national health system, continued to stay away from them and use them only in extreme situations.

From a similar point of view to that of Ms. Urbaneja, and in order to attend the same needs identified by the ministry of health, local organizers in Caracas' Libertador municipality created the Institute for Endogenous Development (IED) in 2003. Some Libertador neighborhoods ranked among the poorest in the country, and IED worked with community members to survey residents on a number of issues affecting them. Health care came out as the primary concern, identifying institutional, transportation and safety barriers to access as the main

causes for poor people not to receive adequate health care. In response, IED organizers and community residents elaborated a proposal to recruit doctors to live in their neighborhoods and provide health care. With the help of the municipality's mayor Freddy Bernal, fifty Venezuelan doctors were contacted but declined to live in the barrios. For this reason, and recalling the experience of Cuban doctors helping residents after the 1999 mudslides, Bernal contacted the Cuban embassy and reached an agreement for 58 physicians to live and work in Libertador starting in April 2003, on what was called Plan Barrio Adentro. The project became so popular, that in December of that same year, the Chávez administration launched it at the national level renaming it Misión Barrio Adentro (Briggs and Mantini-Briggs 2009, 550).

In 2003 the government received five hundred Cuban doctors to live and work in poor neighborhoods in exchange for reduced-price oil exports to Cuba. The program focused in the beginning on immediate care for people who lived too far from the closest clinic or who had traditionally not been covered by any sort of real healthcare plan, a situation that often resulted in pregnant women without prenatal care giving birth at home, or children dying at early age from preventable causes. In the beginning, the program provided preventive care and basic family practice, with doctors and community volunteers visiting house by house to assess the health situation in each family and provide a plan for medical attention. (Armada et al. 2009, 168)

Barrio Adentro operated with a similar structure to that of the CTUs, with community participation as a critical component, both in order to make it operational and as a way to engage the most alienated communities. Core components of the program, the *Comités de Salud* (Health Committees), were formed with a minimum of five individuals who requested a healthcare center to be created in their communities. A Health Committee and their assigned physician were in charge of attending about 150 families (Muntaner et al. 2011).

There is no doubt that the specialized role of the Cuban doctors, who were often received as heroes, was critical for the program's success. However, similarly important and less known was all the volunteer work that members of the Health Committees performed, from hosting and feeding the doctors, helping to build the hexagonal brick buildings that would become the neighborhood clinic in the first floor and the doctor's apartment on the second floor, cleaning and giving maintenance to the health centers, organizing health visits throughout the neighborhood, and providing nutrition and preventive care workshops. Each committee also selected a *promotor*, who received training to promote community development and participatory local planning in each specific community.

By the first quarter of 2006 there were 8,951 Health Committees, and a total of over a million people had participated in Community Health Assemblies. Testimonies of people involved in the committees highlight the skills for participation that they developed and the different relationship people had with the government through this program. In contrast to the top-down approach of previous experiences, the majority of committee members felt that they made important decisions and were involved in the operation of the program (PAHO 2006, 32-7).

In 2006 Barrio Adentro had 23,789 Cuban doctors, dentists and nurses, and patients were seen in more than 6,500 sites¹⁰⁰. According to UCAB professor Tito Lacruz, the size of this foreign workforce is a weakness, as the system would collapse if they are not around since Venezuelan doctors won't work under the same conditions (Lacruz 2008). In 2007 there were 2,804 staffed primary care stations, built by the government exclusively for Misión Barrio Adentro, designed to hold an equipped medical space on the ground floor, and a small apartment

¹⁰⁰ Throughout the program, but especially in the beginning, Misión Barrio Adentro used for medical consultation a wide range of non-medically specialized sites offered by the community, including private homes, school classrooms, and community centers (D'Elia 2006, 19-44).

in the upper floor for the doctor to live in (D'Elia 2006, 19-44). After the initial success of the program, by the second year the administration included dentists and ophthalmologists, and had purchased Chinese and Brazilian equipment for eye testing, dental care, lens-making, and Pap smear units. The second phase of the program, Misión Barrio Adentro II, was created in 2004, and by 2007 it featured 319 integrated diagnostic centers, 430 integrated rehabilitation centers, and 15 high-technology centers (Briggs and Mantini-Briggs 2009, 550). Half of the Venezuelan population was receiving free health care through this program by 2006 and the 2010 Census records that 82.6 percent of those who required medical attention used the public system¹⁰¹ (INE 2013, 22; Jones 2007, 389-92; PAHO 2006).

In her in-depth study of the Social Missions in Venezuela, D'Elia finds that a majority of the health committee members are women. Their experience participating with the mission and receiving training on medical and organizational aspects enabled them to build for themselves a new leadership role within the community. Nonetheless, volunteering is complicated for women with few resources who need to take care of their homes, children and employment, so they often reduce their engagement in the program when this seems less urgent. This results in a decline in active participation once the health clinics are well established and working (D'Elia 2006, 128-39).

¹⁰¹ Analyses of the Chávez administration and its policies are subject of a highly polarized political debate. It is appropriate, therefore, to assess the soundness of the government's statistical system INE for its use in this project. The World Bank's *Statistical Capacity Indicator* provides a good measure for this, as it evaluates "the capacity of National Statistical Systems in developing countries" on a yearly basis since 2004. This indicator ranges from 0 to 100 and it is a composite of scores on three aspects: Statistical practice; data collection; and, indicator availability. Compared to thirteen other Latin American countries, Venezuela was tied in sixth place with 75 in 2004 and with 77 in 2005, and tied in fifth place with 77 in 2006. The averages for Latin America in those three years were 74, 73 and 73 respectively, while the averages for all the 143 countries analyzed were 64, 65 and 66. This result shows that, while Venezuela's statistical institute has room for improvement, it is among the most reliable in the study (World Bank 2011). In fact, from 2004 to 2014, Venezuela's Statistical Capacity score was always higher than the averages for Latin America & the Caribbean, and for IBRD middle-income developing countries (World Bank 2015). In conclusion, this study considers Venezuela's INE's data a reliable source of information, just as the United Nations, the World Bank, and other academic studies use it.

In some places, the highly polarized political environment limited Misión Barrio Adentro's success. Briggs and Mantini-Briggs (Briggs and Mantini-Briggs 2009, 553) identify that in some areas, such as Delta Amacuro State, regional government obstructionism, weak community organizing, and low population density limited the program's reception and growth. Because Barrio Adentro is a federal program, local elected officials from the opposition could not fully and formally prevent its implementation, even if sometimes they tried to do it. In such a polarized political environment, the close identification of the program with the president sometimes deterred opposition supporters from using services, and some reported doing so only if there were no other convenient options available. In addition, a perception that Misión Barrio Adentro was a program 'for the poor' meant that some middle-class Venezuelans were hesitant to use it.

After analyzing Misión Barrio Adentro, a 2009 study in the *American Journal of Public Health* concluded that "[t]op-down and bottom-up efforts are less effective than 'horizontal' collaborations between professionals and residents in underserved communities" (Briggs and Mantini-Briggs 2009, 549). Based on survey, interview, and ethnographic data, this study finds that for community members to take the best advantage of the healthcare offer provided by the program, it was significant to perceive Barrio Adentro as 'their' project, a sentiment most respondents expressed (Briggs and Mantini-Briggs 2009, 552-3). In addition, the authors find that egalitarian clinical interactions between physicians, community volunteers, and patients "can lead to new forms of cooperation and problem solving" (Briggs and Mantini-Briggs 2009, 555). The authors mention negative media coverage about the program and reports of opposition supporters banging pots and pans trying to scare patients, but according to them, all this had the

unintended consequence of bringing attention to the program and making it popular (Briggs and Mantini-Briggs 2009, 552).

Misión Vuelvan Caras and Misión Ché Guevara

In March of 2004, through the National Institute for Educational Cooperation (INCE)¹⁰², the government launched Misión Vuelvan Caras¹⁰³ with the goal of providing job-related skills training for the unemployed. On its first year, this mission registered 400,000 people. In the beginning, the mission consisted exclusively of training for activities such as baking, hair-cutting, shoe repair, etc. without being part of a broader economic strategy. After some months in operation, it became clear that graduates from the program needed opportunities to use their newly acquired skills. The government had been promoting cooperatives since the beginning of the Chávez administration but without a strong plan in place, and so it used Vuelvan Caras to begin a strong push for these types of enterprises. Therefore, besides combating unemployment, another goal of this mission became to create productive opportunities that were less dependent on the economic elites that supported the strikes and oil lockout in 2002 and 2003 (Millán Campos 2012).

Once it became more clearly connected to the promotion of cooperatives, the content of Misión Vuelvan Caras changed. Beyond a job-training program, this initiative also trained people in the government's solidarity economy initiatives, such as worker cooperatives. Vuelvan Caras graduates, called *lanceros* (lancers), were expected to be able to provide needed skilled

¹⁰² The National Institute for Educational Cooperation (INCE) was part of the government's Ministry of Education, Health and Sports.

¹⁰³ The phrase 'Vuelvan Caras' is a historical reference to Venezuelan heroism. These words were uttered during the War of Independence by José Antonio Pérez, who after ordering his forces to withdraw, called them back by crying "vuelvan carajo!" (turn around, expletive). The Spanish expletive *carajo* was substituted by *caras* for colloquial use, which turns the meaning of the phrase into "about face".

work in an existing cooperative, as well as to have fundamentals on how co-ops work, and how they are part of the government's solidarity economy strategy. In addition, they were also expected to promote solidarity-based practices in the productive enterprise they join.

In 2006 the administration further re-conceptualized the mission, in order to strengthen planning and coordination among the training programs, the cooperatives, and local governments, as well as to deepen the participatory aspects of the training offered to lanceros. Among the main changes were: the development of training tailored to local customs and experiences; the inclusion of Paulo Freire-style popular pedagogy as educational approach; an apprenticeship program within the cooperatives for new lanceros; the creation of regional socio-productive networks to strengthen local organization and to increase the economic benefits of products through added value. This last element resulted in multi-state regional productive experiences such as: Vuelvan Caras Pesca for fishing, Vuelvan Caras Café for coffee, Vuelvan Caras Cacao for chocolate production, among others (Millán Campos 2012; Wilpert 2007, 81).

In September 2007 Misión Vuelvan Caras became Misión Ché Guevara, and its cooperative promoting goals were taken by a new project called Social Production Enterprises, described below. Misión Ché Guevara's focus became the formative aspects of Vuelvan Caras, keeping the development of job-related skills, but also adding socio-political elements, all this in order to provide participants with an experience that would prepare them to be part of a productive enterprise but under a framework of commitment with their community.

The program's initial goal was to train 1.2 million people, which was not met. Hundreds of thousands of people have participated in Misión Vuelvan Caras / Ché Guevara since its creation, but systematic evaluation about how useful this program has been for its graduates is difficult to do. One way to achieve these is through surveys, such as Machado's (2008), the

results of which are described above. Another way of looking at the impact of the program is to assess the experience of cooperative enterprises in Venezuela, as they are the lanceros' next step after graduating from Misión Vuelvan Caras. The following section analyzes these and other experiences into which the Chávez administration attempted to embed participatory values in economic initiatives.

Participatory Democracy in Economic Initiatives

While participation was critical for the implementation of social programs like Misión Barrio Adentro and government projects through the Public Planning Local Councils (CLPPs) and the Communal Councils (CCs), it also became an important part of the government's economic thinking and its solidarity-based economic strategy. The first component of this economic strategy, similar to the successful experience in other developing countries, was the creation of various micro-credit banks that stimulated private and public investment in traditionally marginalized constituencies¹⁰⁴. Micro-lending does not have in itself a built-in participatory component, but in the Venezuelan context there were specific elements of the law that promoted the provision of micro-credits for worker cooperatives. (Wilpert 2007, 77-8).

By the end of 2004, and as part of the government's adaptation to the challenges and opportunities faced during the first months of Misión Vuelvan Caras, the Chávez administration created the *Ministerio para la Economía Popular* (Ministry for the People's Economy) or MINEP, a national agency charged with coordinating the government activities on what it called 'people's economy'. This agency was designed to: promote the formation and coordination of cooperatives through the National Superintendency of Cooperatives (SUNACOO); provide job training opportunities through the INCE; and to facilitate financing and trade for large projects as

¹⁰⁴ Such as the famous micro-lending program of the Grameen Bank in Bangladesh (Yunus 1999).

well as for small enterprises through micro-credit entities such as FONDEMI, Banmujer, and Banco del Pueblo Soberano (Millán Campos 2012). This push for an alternative economic strategy was framed under the umbrella concept of Endogenous Development.

MINEP changed its name in 2007 to MINEC, becoming the Ministry for the Communal Economy. According to Luis Perdomo, MINEC's Coordinator for International Affairs and Cooperation, this economy-focused agency's political and social vision is very important: "when you as government provide people with tools to decide what projects can be developed, you provide resources and teach them how to manage those resources, it results in broad participation, highly democratic participation, and this is a very important statement we are making" (Perdomo 2008).

Endogenous Development (ED)

The ED model is based on economist Osvaldo Sunkel's ideas, which call for the use of import substitution policies in order to prioritize equity and human development in ways adjusted to specific local conditions and employing local resources (Piñeiro Harnecker 2005; Sunkel 1993). The way ED is implemented in Venezuela combines the goal of reducing a country's dependency on foreign products typical of import-substitution industrialization (ISI) strategies, with worker cooperatives' objective of reducing inequality and exploitation in worker-owner relationships. Endogenous Development is also in line with the old goal of *sowing the oil*, as it redirects oil revenues into micro-credits and training for workers to jumpstart a cooperative. However, in a departure from previous 'sow the oil' strategies, instead of relying on a large corporatist system in which masses of workers were state employees, under ED the government

provides resources and acts as facilitator for workers' organization towards self-sufficiency (Jaua Milano 2006).

As described by MINEP, endogenous development seeks other goals besides economic ones, including: the promotion of more equal and cooperative productive relations; an emphasis on people's needs and participation under an umbrella of co-responsibility with the state; and a model in which economic growth does not take primacy over human development. Endogenous development is also closely linked to values of sustainability, community participation and solidarity, and organization from below towards above. (MINEP 2006).

Cooperatives

Libia Berbesí, general manager of FUNDES Venezuela, a non-profit organization that provides technical assistance to small and mid-size businesses, states that Chávez, during his first year as president, began a process for financing small and midsize businesses, but this program came to a halt during the oil lockout. After that, the government shifted its focus towards cooperatives, which he saw as a way to support the poor and grassroots base that had helped him get through the coup and the lockout, instead of investing in a middle class that seemed hostile to him. Berbesí believes the impulse to the cooperatives was important, but she thinks it is unfortunate that this happened at the expense of supporting small and midsize entrepreneurs (Berbesí 2008).

The main initiative MINEP launched in order to operationalize the concept of Endogenous Development was the creation of a national agency, the National Superintendency of Cooperatives or SUNACOO¹⁰⁵, to coordinate credits, and provide training and logistical

¹⁰⁵ In an attempt to emulate the successful worker cooperative projects implemented in Mondragón, in the Spanish Basque Country (Campbell 1977; MacLeod 1997).

support to members of worker-owned enterprises (Wilpert 2007, 77-8). Through this initiative worker cooperatives, mostly in the service and productive sectors, grew from 762 in 1998 and just over 2,000 in 2002 to over 100,000 by 2005 with over 1.5 million members (SUNACOOOP 2005). In 2008 there were 262,904 cooperatives registered but only about 70,000 of them were “active”, defined to mean that they were producing or providing the services for which they were created. By 2013 there were over 300,000 co-ops, but only 100,000 were active, continuing the ratio of about one-third active vs inactive registered cooperatives from 2008, but nonetheless, involving five percent of the country’s population.

Among the reasons for the large disparity between the number of registered cooperatives and those that are active, Rodriguez (2013) points to inadequate preparation of many of the people who became involved in them as part of the Misión Vuelvan Caras frenzy, which surpassed the state’s ability to provide enough support or training. Azzellini points out that:

“[M]any cooperatives never worked, but were founded “just in case” because registration is free. Others are private, mainly family businesses, registered only formally as cooperatives so as to access favorable financing conditions and tax exemption. Still others existed only on paper and the funds they received were misappropriated” (2009, 172-3).

Of the cooperatives active in 2008, 49.38 percent belong to the service sector, mainly tourism, cleaning, industrial maintenance, and hairdressing; 25.3 percent are productive enterprises, specifically in the areas of agriculture, livestock farming, fishing, manufacturing, and industry; 11.48 percent work in transportation; and 7.64 percent of them are banks of Consejos Comunales (SUNACOOOP 2008 in Azzellini 2009, 173).

A 2008 study on cooperatives in Venezuela, finds that over 80 percent of the country’s cooperatives were created after 2004, the year in which the government launched Misión Vuelvan Caras and an overall push for this type of enterprises. However, only fifteen percent of

those surveyed claim to have started their co-op due to a government program, while forty-eight percent said they did it due to their own initiative or need, and twenty-six percent did it as a community initiative. The main issue faced by forty-three percent of cooperatives was lack of money or credit, but sixty-eight percent of them believe their project works well, compared to only eight percent who say it functions badly. Contrary to a common perception about the cooperative boom in Venezuela, only one quarter of them were financed by the government for their creation, and at the time of the study in 2008, six of every ten projects were fully self-funded, with another nineteen percent partially self-funded, and only twelve percent funded through government loans. Besides their productive activity, forty two percent of cooperatives performed activities in benefit of their communities, such as providing support for the local schools, help in local sports events, or training for community members. While two thirds of those surveyed claim their cooperatives had good relationships with the government, the main source of conflict is lack of government economic support and problems with credits (Machado 2008).

Some people do not question the possible benefits of the cooperatives, but they criticize the way cooperatives were promoted or managed. Pedro Esté, a REDSOC member, argues that cooperatives are good for development, but believes that some people do not participate in the job training REDSOC offers because receiving it may disqualify them from continuing to get the help they are already receiving from one of the Missions (Esté 2008). Libia Berbesí, FUNDES Venezuela's general manager, sees the promotion of cooperatives as a positive development, but states that the Chávez administration was not able to take them to the next step in order for them to become self-sustainable (Berbesí 2008). In response to this, MINEC's Luis Perdomo (2008) argues that the incentives the government offers are not designed to deter participants'

involvement in the workforce, as would possibly be the case with income-based or school enrollment-based cash transfers. Instead, within Misión Vuelvan Caras there are specific time periods in which people are expected to move from job training to financing of their projects, with the long-term goal that such projects should pay back their financing and become independent. REDSOC's Consuelo Murillo agrees that assistance and investment was needed, but, because it is difficult to change the clientelist culture into an entrepreneurial one, there is the need to have better systems to evaluate the programs and keep them and the beneficiaries accountable (Murillo 2008).

Narrative descriptions of cooperative experiences in Venezuela during the Chávez administration often present a picture of a government eager to promote these types of organizational initiatives, with varied degrees of success due to planning factors and community factors. Some experiences such as the cooperative urban garden Organopónico Bolívar, are lauded by those interested in increasing food sovereignty, environmentalists, and supporters of cooperatives. However, some of the community members who first organized this initiative withdrew from it for personal reasons, and the project had to become a government one, as opposed to a worker-owned one (Howard 2008). This experience reflects the challenge of member continuity, which is another of the reasons why the percentage of active cooperatives, out of those registered, was of about one-third by the end of the Chávez administration.

On the other hand, some cooperatives that existed before Chávez came to power have benefitted from the government's push in this area. Such is the case of the Beveré co-op, which existed but was not significantly operational before 1999. According to Miguel Basabe, Beveré's director of education and public relations, things changed when the government enacted the Lands Law. Following this, the community occupied some land and began receiving

government assistance and training. Out of this relationship, Bevere became productive because its activities coincided with the vision that the state was promoting. That is, the cooperative focused on producing agricultural products needed for the community's subsistence and on managing the land in sustainable ways. Basabe was clear that the partnership with the government worked well but not simply out of a desire to please the government or follow its lead. It succeeded because of the self-interest of the cooperative members to see their organization thrive and their earnings improve. Nonetheless, a final outcome of this experience was also an increased commitment of Bevere and its members with each other and with the community (Howard 2008).

Unfortunately, besides anecdotal or case-based information, there is not much aggregated data to better understand the extent of the impact the cooperative boom is having in Venezuela. While there are positive stories, there are also anecdote- and observation-based analyses that point to some cooperatives functioning more as occupational welfare programs than as productive enterprises (Daguerre 2011, 847-9). While the information on the number of active cooperatives, resources invested and number of participants is important, other impact evaluation data is needed in order to assess the extent to which this strategy can in fact become a viable alternative to diversify the Venezuelan economy.

Social Production Enterprises - EPS

With the cooperative boom other types of issues developed, such as cooperatives selling to regular grocery stores as opposed to the Mercal markets in order to get better prices, or increased competition for resources among different co-ops (Orhangazi 2014, 231-2). Realizing this, Chávez (Molina Camacho 2008) as well as other analysts of his twenty-first century

socialism (Lebowitz 2007, 46; Piñeiro Harnecker 2009, 335) started to use Ché Guevara's criticisms of Yugoslavia's cooperatives in the 1960s to argue that cooperative enterprises can also focus exclusively on their profit, even if a collective one, without necessarily engaging in the improvement of their communities, much less the construction of socialism. This led the administration to develop different guidelines for those enterprises willing to take on the social commitment the government was advocating for, from those that just wanted to carry on with their businesses.

In 2005, the government passed a law creating a legal framework for a type of small business called *Empresa de Producción Social* (Social Production Enterprise), in order to establish parameters and incentives for companies, cooperative or not, to play a role in a solidarity-based economy. According to the law's Article 3, these companies are expected to "privilege the values of solidarity, cooperation, complementarity, reciprocity, equity and sustainability ahead of the value of profitability." These enterprises, also known as EPSs, must dedicate ten percent of their net revenue to local social projects in order to be considered as such and have access to preferential loans, technical assistance and state contracts.

Besides setting more structured terms for EPS benefits and responsibilities, in contrast to the loose framework that previously governed the support for cooperatives, the creation of this legal framework also attempted to incentivize cooperatives to adopt practices that would be beneficial for the local communities. For example, in order to lessen a community's dependency on expensive imports from abroad, the EPS framework requires that a percentage of a cooperative's production go to the local market, as opposed to being sold exclusively in non-local markets. In this way, the incentives provided by the government are expected to promote

concrete benefits for communities, while also promoting solidarity-based structures and practices (El Troudi and Monedero 2006; Harnecker 2009).

There are various ways EPSs are created. In a form of communal privatization, some non-strategic state enterprises are sold to the workers under preferential terms, such as the case of DUCOLSA, which produces housing for oil workers in the Lake Maracaibo area. A different approach is that of turning a private company into an EPS so that it can receive financial and technical incentives as well as preferential treatment in the awarding of subcontracting jobs, such as the case of some EPSs providing services to PDVSA.

Among the challenges EPSs face is first and foremost the need to be productive enough to guarantee stable and decent employment to its members and to produce a surplus to redistribute socially. Productivity is also important in order for companies to play the role of members of a production chain that the state has envisioned for them. Large sub-contractors like PDVSA are required to work with EPSs, but they did this carefully and slowly, at least initially (Alonso 2007)

Also, there are contradictions that stem from the state's goal of promoting independent worker leadership within EPSs, which it has done on some occasions by intervening in the company's internal affairs in order to weaken the previously existing managerial staff and to strengthen the role of low-level workers. In his study of EPSs collaborating with PDVSA, Alonso (2007) finds that the state promoted constant changes in the EPSs leadership in order to counter middle-managers focused on holding power and limiting the development of a cooperative work structure. While probably there were instances in which such governmental intervention facilitated the establishment of more horizontal power relationships within an EPS,

this type of action by the state can also play against the companies' autonomy that the government is trying to build.

Another possible problem area for EPSs is financing. The community-focus required by the state makes some companies seem less profitable and therefore an unattractive investment for private sources of financing, which have profit maximization as primary goal. This makes EPSs economically vulnerable if the government becomes unable to provide financing, such as in the case of economic crisis when other sources of financing would also be tight (Añez H. and Melean 2011, 14-7). State financing can also be compromised if a non-Chavista government wins the presidency, but there is no experience of that yet.

Endogenous Development Nuclei - NuDEs

After some years of promoting the creation of worker cooperatives through the SUNACOOOP, the MINEP developed an expanded version of this initiative and called it *Núcleos de Desarrollo Endógeno* (Endogenous Development Nuclei), or NuDEs. The goal of this initiative was to reduce co-ops' disadvantages in economies of scale by linking various of these enterprises dealing with different aspects of the same productive chain. Different cooperatives belonging to one NuDE do business among themselves under cooperative and preferential basis, neutralizing to an extent the negative impact of external market forces (MINEP 2006).

According to the NuDEs program's goal, the state is expected to play a supporting role, rather than a directive one, and the voices of the grassroots are intended to take primacy in the process, from a participatory assessment stage to the subsequent ones (MINEP 2006). These efforts seek to empower people individually and collectively through their participation in the programs, as opposed to increasing their sense of dependency and perception of powerlessness in

front of the state. The extent to which such goals are achieved is mixed. There is evidence, for example, that a majority of members of cooperatives supported by the state do not see it as playing an intrusive role in their projects. They understand the origin of their co-op as based on their own initiative or their community's needs, and they are satisfied with it, and see it as self-sustaining (Machado 2008).

However, there are also reports about lack of productivity in some NuDEs that does not get addressed because the continued financing from the state reduces the incentive to address problems (Kozameh 2008, 137-8). For example, a 2009 study of the NuDE Agua Santa in the state of Trujillo found that the state had provided close to \$700,000 in zero-interest credits to five cooperatives that were on the brink of bankruptcy. An average of 44 percent of the founding members had left these co-ops, and those who remained were performing work different from what they were trained for. The authors concluded that much of this could have been avoided with better planning during the creation of the NuDE, especially by a market analysis that would have shown the low margin of profitability that there was for the NuDE's products and the challenges it would face to be competitive and pay back its loans (Higuerey et al. 2009)..

In practice, experimental NuDEs have been established in specific communities that are working in five priority areas for national development: agriculture, tourism, infrastructure, industrial production, and services (Wilpert 2007, 79-80). In 2008 there were 130 NuDEs throughout Venezuela (Howard 2008).

Worker Co-Management of State Enterprises

On a larger scale, in 2002 the government began a program of worker-managed factories, first in co-management with the state for the two electric companies Cadafe and Cadela. Later,

the administration entered into agreements with two large worker managed paper and valve companies, which were renamed Invepal and Inveval respectively. The government also co-managed with workers some companies in strategic industries, such as the important aluminum company Alcasa, which became an exclusively worker-owned company in 2005 (Harnecker 2005). Alcasa is part of the *Corporación Venezolana de Guayana* or CVG, a large project created in 1960 during the presidency of Betancourt as a symbol of Venezuelan import-substitution industrialization, and a place that Chávez intended to revitalize as a flagship of co-managed industry.

Upper- and middle-level managers who had climbed the state corporatist ladder and gathered significant power during the 1990s were not collaborative with Chávez's participatory initiatives, having in fact supported the opposition during the strikes and the oil lockout. These managers stalled the implementation of the government's participatory initiatives, creating therefore a wedge between the president and his supporters among workers, who grew unsatisfied with the implementation of reforms. In response, the Chávez administration took a harder stance against the obstructive managers. One example of this is the chain of events that resulted in worker ownership of the second largest aluminum smelter in the country, Alcasa.

The Chávez administration intended for Alcasa to be a model of how a large strategic enterprise could successfully be worker-led and co-managed with the government, but this experience also showcases the challenges that such a strategy entails. In February 2005 the co-management model was introduced to Alcasa, and shareholders appointed sociologist and former guerrilla Carlos Lanz as the company's director. His administration set the basis for workers to play a strong role in the company's decision-making. This resulted in swift changes that included replacing managers with worker-elected ones, increasing wages, as well as implementation of

strategies to pay debt and make the company profitable again. In addition, Alcasa had become an EPS and therefore had a social commitment to fulfill, which it did by providing training and setting up local cooperatives to continue aluminum processing. Not all workers were Chavistas, but traditional *puntofijista* unions were able to co-habit with the more leftist ones. Production levels immediately increased by 11 percent, and in 2006 the company paid all its debts to unpaid pensions and wages dating from before the transition to co-management (Azzellini 2009, 179-80).

The company's success implied growth, and the workforce increased to 3,300 from 2,700, but only about 60 of the new workers were former cooperative members, with many others being hired because they were family members or friends of managers. In addition, once Lanz left Alcasa in 2007, the process of co-management weakened as the new director was not significantly interested in it, and this resulted in a drop in worker engagement. Productivity also collapsed and in 2007 the company reported \$180 million in losses. According to Azzellini (Azzellini 2009, 180), the assessment of this situation by the core group of organized Alcasa workers is that the main source of corrupt practices that compromised the company's productivity and worker solidarity were the managers that remained in their jobs from before Lanz's tenure. After analyzing this experience, this group of workers believed that they should have replaced all those managers with elected ones when the process was working well. However, despite the setbacks in the co-management process during this period, these workers, who were more committed with co-management, continued providing training on co-management and solidarity-based economy to the new workers and to the community.

In 2008 a new director was appointed at Alcasa, and he introduced policies against co-management, causing a break with the workers. In 2009 the company's workers union called to

a symbolic recall referendum against the director, in the hope that a strong show of disapproval for his administration would force the government to replace him (El Universal 2009). Other members of the community became involved in support of the group promoting co-management, as well as workers in other companies within the same Guayana industrial complex. This is the case of Sidor, a steel company that became highly organized through their relationship with Alcasa, to the degree that its workers were able to convince the government to nationalize it (Azzellini 2009, 180-1). The Alcasa workers' attempt to replace the company's director was not successful this time.

According to Lebowitz (in Spronk et al. 2011, 242-3), after this episode the government officials organized a collaborative process for workers from various industries, including Alcasa and Sidor, to develop a 'socialist plan' in the industrial center Ciudad Guayana. In a meeting with Chávez and some of his ministers the worker representatives presented demands for worker management and nationalization of suppliers believed to be "ripping off the state-sectors." All their demands were accepted, and workers from the various companies involved continued to develop a plan for rationalizing operations and using byproducts from one company as inputs in another one, etc. These plans were blocked by managers, so workers complained and the directors were fired. In May 2010, workers selected Elio Sayago from their own ranks, who also was a former leader of the political group Marea Socialista, as president of Alcasa. This selection was supported by president Chávez, who saw it as beneficial for relaunching co-management in the region through the Guyana Socialist Plan (Venezuelanalysis.com 2012). Under the leadership of Sayago, the co-management experiment seemed to begin to take off again.

The Alcasa experience shows the opportunities and challenges that the system of co-management faces. Beyond the exclusively economic challenges involved in making an enterprise productive, there are specific issues that arise in the participatory democracy-based strategy of co-management. Creating opportunities for workers to put the collective interest before the individual interest does not mean that they have the skills or the commitment to do it. Nonetheless, the return to co-management pushed by worker action also speaks of the possibility that a culture of cooperativism can strengthen over time, and possibly overcome similar challenges to those experienced in the early stages of this experiment.

Communal Social Property Enterprises

In 2009, another new experiment of collective ownership was implemented in the form of the Empresas de Propiedad Social Comunal (Communal Social Property Enterprises) or EPSCs. The main characteristic of these enterprises is that their property is collectively owned by the communities where they exist. The community also decides the EPSCs structure and the use of profits. By 2013 there were thousands of EPSCs, mostly in food production and community services like public transportation, and even PDVSA organized a gas distribution EPSC administered by local communities (Azzellini 2013, 29; Moran Esparza 2010).

The EPSCs are among the Chávez administration's initiatives on which there is little information. This can be in part due to its relatively recent launch, or to its repetitive nature, as it may be the case that many of the EPSCs created are adaptations of previous groups that were organized before as cooperatives or through Misiones Bolivarianas. In any case, the lack of available information on this initiative adds to the recurrent criticism about the Chávez administration's reluctance to provide evaluative data.

*The paradox of a centralizing government providing of increased opportunities for participation,
and the resulting tension between government and its supporters*

The president's defeat in the 2007 referendum by a majority that included a large portion of Chavista voters highlights a tension between the president's followers' support for his policies, and their wariness towards a government that centralizes too much power. This dynamic has often not been explored in analyses of this period in Venezuela. Chávez's larger-than-life political figure receives most of the attention for the changes that took place in the country, but grassroots communities and civil society play a significant role in this story. As Ellner explains (in Spronk et al. 2011, 245-6), most political analyses of post-Punto Fijo Venezuela were centered on parties and their corporatist structures, and did not pay much attention to the rank and file. However, under Chávez the grassroots and the rank and file played a central role. That role was key in facilitating for the government to achieve its policy and political goals, but it was also critical of it at times.

Civil society organizations and the popular movement that became organized in response to neoliberalism in the 1980s, and that elected an outsider in the 1990s, have been the core organizers of the movement that supported the Chávez administration. They ran electoral campaigns and mobilization drives to pass the 1999 Constitution; rallied to break the coup of 2002 and to counter the opposition-led strikes and oil lockout; organized neighborhoods and built clinics for Misión Barrio Adentro; and resisted the recall election. The experience and skills of community leaders facilitated the creation of the thousands of health groups, cooperatives, and other spaces for community participation that the new constitution calls for and that the government financed. This would not have been possible without people with the

motivation to take on the task of knocking on doors, and with some experience in convincing new members and facilitating a grassroots organizational process (Ciccariello-Maher 2013).

Most of the experienced organizers mobilized not because Chávez asked them to do it, but as Sujatha Fernandes points out (in Spronk et al. 2011, 238-9), because they have previously worked for, and believed in, what Venezuelan activists call *el proceso*. That is, a process of gradual social, political and economic transformation that, according to them, is necessary to deepen democracy. From this point of view, Chávez was a critical ally in advancing the process, but this goes beyond him and even against him if necessary.

While the tension between the opposition and Chávez receives most of the attention, Ciccariello-Maher (in Spronk et al. 2011, 244-5) argues that there is another tension as significant as this is one, namely the power dynamics ‘from above’ and ‘from below,’ between the centralizing features of the government and the grassroots’ constant struggle to deepen spaces for popular participation. The president’s initiatives had created opportunities to increase grassroots participation, but at the same time, there was a clear tendency to concentrate power in the executive. According to Sara Motta, the Chávez administration

“[H]ad the potential to both facilitate processes of popular power by encouraging a decentralization of power and a plurality of experiments with territorial self-government, whilst also controlling these networks through centralising power. However, the balance between the two logics has increasingly shifted towards the latter. Even when Chávez began to systematise a series of social, economic and political programmes to empower the ‘poor’, they contained a contradictory dynamic which, on the one hand, could work to open spaces of popular politicization, and, on the other, act to reinforce the political fragmentation and dependency of the popular classes.” (in Spronk et al. 2011, 243-4).

This description shows that, while grassroots’ organizers saw in the Chávez administration increased opportunities for participation in contrast to past governments, they also

were not unconditionally loyal to the president. As happened in the 2007 referendum, they were willing to challenge him when it seemed that the administration's tendency towards centralization was taking space from attempts to increase participation.

Ciccariello-Maher argues that Chávez, just as the constitution of 1999, are in reality “*empty signifiers*, sufficiently vacant vessels in which to deposit revolutionary aspirations [...] around which power can be consolidated” (Ciccariello-Maher 2013, 236). From this point of view, democratic deepening in Venezuela has been a process led by grassroots activists, who take advantage of the tools accessible to them at any given time, one of which was Hugo Chávez's presidency. Civil society organizations and grassroots activists gave Chávez power and direction towards their goal of deepening democracy, and at times resisted the president's centralizing tendencies that ran counter to this goal. The final balance of this tension is mixed, given that participation increased dramatically during the Chávez years, but centralization also did, and the institutionalization of channels for participatory democracy, such as the communal councils, was not consolidated.

In fact, the first half of the Chávez presidency was the most effective in promoting participatory democracy initiatives. Most of the Misiones were created before 2007, changing dramatically the amount of participatory activity taking place in the country. The large investments in social programs during the period 2004-2007 were facilitated by the record-level oil prices of that time. The flow of resources slowed down in 2008 due to the economic crisis. The economic recovery of 2009 helped the government to stabilize spending to its pre-crisis levels, but this did not have the same dramatic impact than the rapid investment that took place from 2004 to 2007.

Also starting in 2007, the political opposition renewed its series of street protests against the government, which increased polarization in the political environment. This polarization hardened people's perceptions about the government's policies, making it harder for non-Chavistas to participate in programs, in part due to not wanting to be associated with the government, and in part due to stigmatization and discrimination from program officers and members sympathetic to the government (Penfold-Becerra 2007). This created a situation in which even if the design of social programs was originally intended to promote community participation, in reality the country's political polarization became reflected in the public's perception about those programs and therefore in their ability to fulfill their participatory goals.

The tension described here between the government's centralizing tendency and the Chavista grassroots' desire for increased autonomy and power, also has an influence on the positive impact that participatory programs can have. As described in this study's introduction, participatory programs are believed to build trust in government as this seems to be responsive to the public's needs. As well as to facilitate generalized trust and cooperative networks. However, even if programs designed to be participatory exist, but their implementation reaches a point in which demands for increased participation are not met, or if the political polarization constrains the generalized trust and cooperative relationships that the program is supposed to build, then the positive impact of such programs on people's trust in government, social capital and democratic values becomes limited.

Thus, the combination of a less dramatic investment in social programs in the second half of the Chávez presidency, and a highly polarized political environment during that time, affected the number of people that such programs could involve, and it also affected the positive impact that

these could have in social capital and democratic values during that period, as further demonstrated in Chapter 5.

CONCLUSION TO SECTION 3.2

Hugo Chávez became president by promising to address the country's longstanding poverty and inequality, and to get rid of the clientelist *puntofijista* political system and replace it by a participatory democracy. In order to do this he promoted the writing of a new constitution that incorporated these goals, an idea that counted on widespread support among Venezuelans. This support translated into governing majorities in congress that allowed the president to implement policy changes focused to bring the new constitution to life. The opposition to the government fought these changes through both legal and unconstitutional mechanisms, including a failed military coup and a long-term oil lockout that brought the country's economy to collapse.

Once this intense period of opposition-led resistance ended, the government was able to stabilize the economy again and to implement social policies based on participatory democracy principles. Record high oil prices during these years provided the government with resources for this policy experimentation.

There is little controversy that the poor and working classes in Venezuela improved their quality of life due to the social and economic programs of the Chávez administration¹⁰⁶. The quantitative impact of such policies will be analyzed in Chapter 4. Beyond this, the participatory practices embedded in these programs also had a qualitative impact on those directly involved,

¹⁰⁶ Reviewing various works on Venezuela, Jonathan Eastwood (2011, 6) concludes that there is little controversy about the drastic poverty reduction that took place under Chávez, although observers differ on the extent of its reduction, the impact of the administration policies' on it, or the sustainability of such policies. A snapshot of economic indicators of the first ten years of the Chávez administration can be found in Weisbrot, Ray and Sandoval (2009).

and to some extent on the society at large. The government stressed participatory mechanisms for all of its social programs, and indeed, they are at the core of its view of a solidarity-based economy.

As REDSOC's Executive Director Consuelo Murillo states, during the Chávez presidency the government made visible a population that had been hidden for a long time, and those people now believe they have rights. FUNDES Venezuela's general manager Libia Berbesí agrees, saying that people in the lower strata of society believe they can participate, and that it is positive that marginalized people are now perceived in a different way in Venezuelan society. Many people became involved and participate in government initiatives and also politically, explains Lorenzo Labrique of the human rights organization PROVEA. According to him, during that time more people demanded respect to their rights than ever before, and they do it because their expectations have increased. Even people who are critical of the lack of accountability during the Chávez administration such as Mercedes de Freitas, director of Transparency International Venezuela, believe that people have learned to participate and exercise their rights and that now they are going to be able to push the government to improve.

The implementation of these strategies was clearly full of experimentation, with notable improvement in some of the problem areas faced, such as the move from CLPPs to Communal Councils that allowed more people to participate in meaningful ways, and with other important challenges that still remain, such as achieving more efficient use of resources and demonstrable productivity in economic enterprises.

One criticism often advanced by the opposition, and relevant to this research project, is that the Chávez administration's social and economic programs were merely a clientelist strategy. However, studies that attempt to demonstrate this fail to do so, by mistakenly assuming

that programs to support the poor are biased just because this sector made up the majority of Chávez's electorate.

There are recurrent questions by those who analyze this period about the lack of information, a situation that for some reflects a deliberate attempt to hide information, while for others it represents mostly a lack of capacity to evaluate the impact of programs and systematize information. While the government made available a significant amount of information about numbers of participants in projects or numbers of cooperatives, having more evaluative data on impact would not only demonstrate the administration's commitment to greater transparency, but it would also demonstrate the extent of success of these innovative programs, allowing in this way the elaboration of tools and strategies for their improvement.

Another area of possible conflict in the process of government-led participatory democracy is the tension between the centralizing tendency of the Chávez administration and its rhetoric of increased popular autonomy and participation. The Bolivarian Constitution and other founding documents of this administration emphasized the government's role as facilitator of the people's participation and development. In practice, the administration's initiatives promoted this to a significant extent, but there were also instances in which people would have liked to have more autonomy and more decision-making power, such as in the case of the worker co-managed state company Alcasa. The extent to which a policy experiment like this is able to resolve this bottom-up, top-down tension may be crucial for government-led participatory democracy to become a reality.

The Venezuelan attempt at participatory democracy was definitely a rocky road with mixed results, but after the thirteen-year long Chávez administration it is clear that the clientelist structures and practices from the *Punto Fijo* period had been destroyed. The participatory

practices implemented in its place have the possibilities to increase people's trust in other members of their community, a critical component of social capital. In addition, a government that responds to the demands of the majority that voted for it can result in higher confidence in democracy as a system that provides alternatives for change. This may be true even in the eyes of those whose preferred candidate was not elected, and who trust that they will have a real chance for their policy preferences to win in future elections. However, high political polarization can have the opposite consequences, impeding effective implementation of participatory programs as pro-government and pro-opposition forces conflict over prerogatives and resources, diminishing trust and decreasing confidence in democracy. Chapter 5 assesses the impact that the Chávez administration policies had on citizens' perceptions towards participation and democracy, through the analysis of survey data.

4. How Do Different Policy Approaches Affect Human Development? Converging Results from Mexico and Venezuela

This chapter shows the extent to which the post-political-transition governments in Mexico and Venezuela were successful at improving human development through the different social policies they implemented.

As shown in Chapter 3.1, Mexico mostly continued the implementation of economic orthodoxy in combination with market-friendly anti-poverty measures during the two PAN presidencies of Vicente Fox and Felipe Calderón. On the contrary, Venezuela took a very different path in both areas, implementing an inward-economic model combined with extensive social programs under the umbrella of 21st Century Socialism, as discussed in Chapter 3.2. Free market advocates argued that out of these two different approaches, Mexico's performance would be successful and Venezuela's would be disastrous. In fact, however, these two different policy paths significantly converged in their economic and human development achievements, as this chapter shows.

The quantitative outcomes from these different government approaches are mostly positive. Both countries grew economically during the decade after the political transition. This comes to no surprise, taking into consideration unprecedented high oil prices of this period. Contrary to critics who argued that Venezuela's alternative economic path would result in economic chaos, the country's development indicators were still significantly good even after the great economic recession and towards the end of the Chávez administration.¹⁰⁷

¹⁰⁷ Criticisms about economic performance during the Chávez administration were constant and continued after his death. For a response to assertions of an economic crisis in Venezuela at the end of the Chávez presidency see Mark Weisbrot's article "Sorry, Venezuela Haters: This Economy Is Not the Greece of Latin America" (2013b), and the

Other human development indicators such as unemployment, inequality, health and education provide a more complex picture in the two countries. Some advances exist but there are also elements to question the extent to which the policies used to achieve these improvements can be sustained in the long run, and what is their impact in promoting or dismantling the culture of clientelism pervasive in both countries before their political transitions.

4.1 Human Development Improvements with Clientelist Continuity in Mexico, 2000 – 2012

Introduction

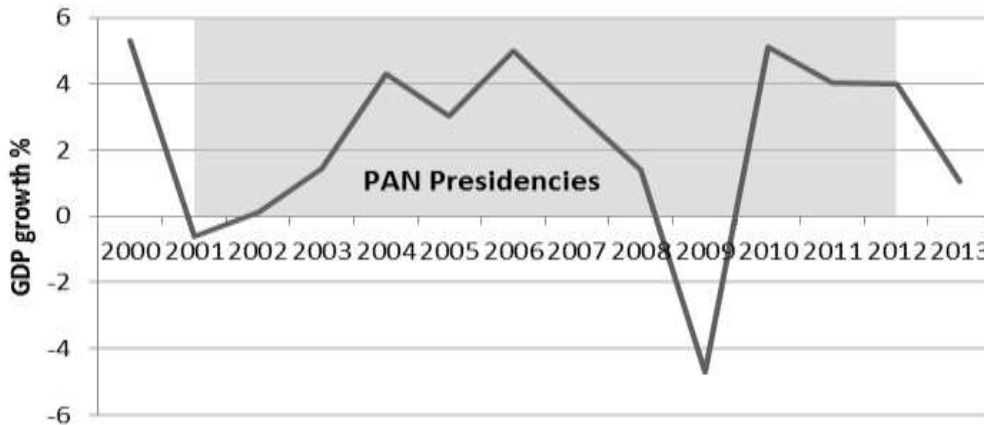
In order to improve human development for the majority of the Mexican population who have suffered the most economically during the 1980s and 1990s, it was necessary for the economy to grow, but also to increase investment in programs targeting critical aspects of human development.

The neoliberal policies initiated in the 1980s by Miguel de la Madrid and fully established by Carlos Salinas de Gortari and Ernesto Zedillo in the 1990s led to economic growth that was greatly needed after the 1982 crisis, but this came at the expense of increased poverty and inequality. According to proponents of free-market economics, inequality is an expected initial outcome of reform, which over time they expect will correct itself. Such automatic economic balancing never really took off in Mexico. In order to at least make up for the increased inequality that resulted from the economic reforms, and in this way also curb social discontent, the PAN administrations implemented additional social spending beginning in 2000.

Mexico's macroeconomic performance under the PAN

The World Bank's (2016c) economic indicators show that, contrary to the expectations created by structural adjustment advocates, the economic growth experienced in Mexico from 2001 to 2012 was modest. It remained under five percent for most of the period, reaching this value only in 2006 and 2010, with five years featuring growth of less than one and a half percent (Figure 4.1.1 and Table 4.1.1). From 2001 to 2012, the years the country was governed by the PAN,¹⁰⁸ the average GDP growth in Mexico was 2.4 percent. These numbers are very low in comparison to the growth the country experienced during the 1960s and 1970s, when growth maintained an average of 8 percent with peaks at 10 percent and 12 percent. This remains true even if taking away the sharp decline in GDP caused by the global recession of 2008, which hit Mexico hard given its economic dependence on the U.S. (Figure 4.1.2).

Figure 4.1.1. Mexico: GDP Percent Growth, 2000-2013



Source: Author's calculations from World Bank data (2014)

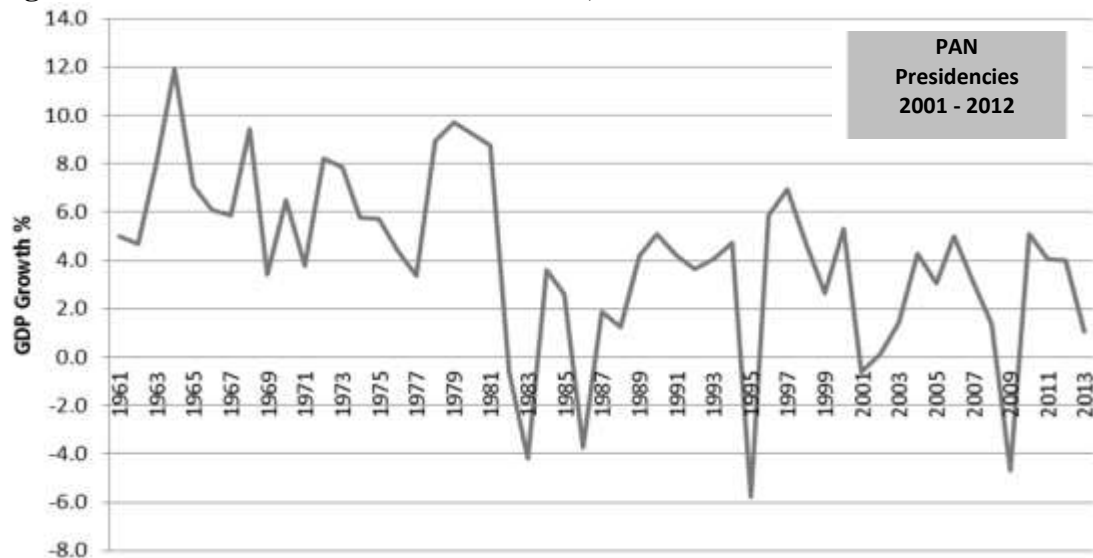
Table 4.1.1. Mexico: GDP Percent Growth, 2000-2013

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP Growth	5.3	-0.6	0.1	1.4	4.3	3.0	5.0	3.1	1.4	-4.7	5.1	4.0	4.0	1.1

Source: World Bank (2014)

¹⁰⁸ Presidents in Mexico are inaugurated on December 1st, which means their policies do not really have an impact in the statistical information of the year their administrations begin. For this reason, even though Vicente Fox was inaugurated in 2000, for statistical purposes this project looks at 2001 as the first year of the PAN Presidencies.

Figure 4.1.2. Mexico: GDP Percent Growth, 1961-2012



Source: Author's calculations from World Bank data (2014)

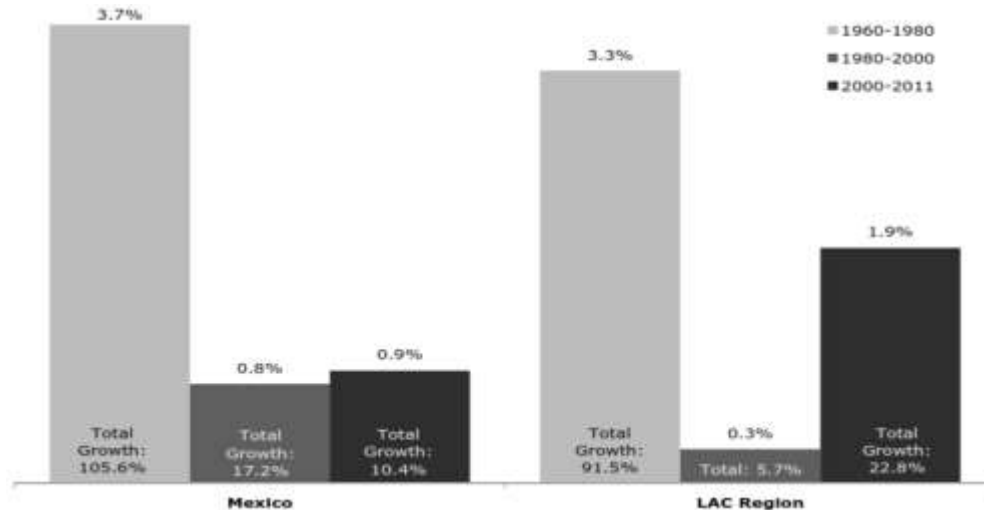
Table 4.1.2. Mexico: GDP Percent Growth, 1961-2012

Year	GDP Growth	Year	GDP Growth	Year	GDP Growth
1960	..	1980	9.2	2000	5.3
1961	5.0	1981	8.8	2001	-0.6
1962	4.7	1982	-0.6	2002	0.1
1963	8.1	1983	-4.2	2003	1.4
1964	11.9	1984	3.6	2004	4.3
1965	7.1	1985	2.6	2005	3.0
1966	6.1	1986	-3.8	2006	5.0
1967	5.9	1987	1.9	2007	3.1
1968	9.4	1988	1.2	2008	1.4
1969	3.4	1989	4.2	2009	-4.7
1970	6.5	1990	5.1	2010	5.1
1971	3.8	1991	4.2	2011	4.0
1972	8.2	1992	3.6	2012	4.0
1973	7.9	1993	4.1	2013	1.1
1974	5.8	1994	4.7		
1975	5.7	1995	-5.8		
1976	4.4	1996	5.9		
1977	3.4	1997	7.0		
1978	9.0	1998	4.7		
1979	9.7	1999	2.7		

Source: World Bank (2014)

Most Latin American countries that implemented neoliberal reforms during the same period also grew at a very slow pace. For this reason, the 1980s and 1990s are often described as economic “lost decades” for the region (López-Calva and Lustig 2010; Székely and Hilgert 1999). However, during the first decade of the new millennium, Latin America as a whole experienced a recovery twice as fast as Mexico’s, which remained stalled with per capita GDP growth of under one percent between 2000 and 2011 (Figure 4.1.3.). This performance was experienced even though the country went through its most significant political transition in decades, one that raised expectations for economic growth particularly during a boom period of high oil prices.

Figure 4.1.3 Mexico and the LAC Region: Annual Average Real Per-Capita GDP Growth, 1960-2011

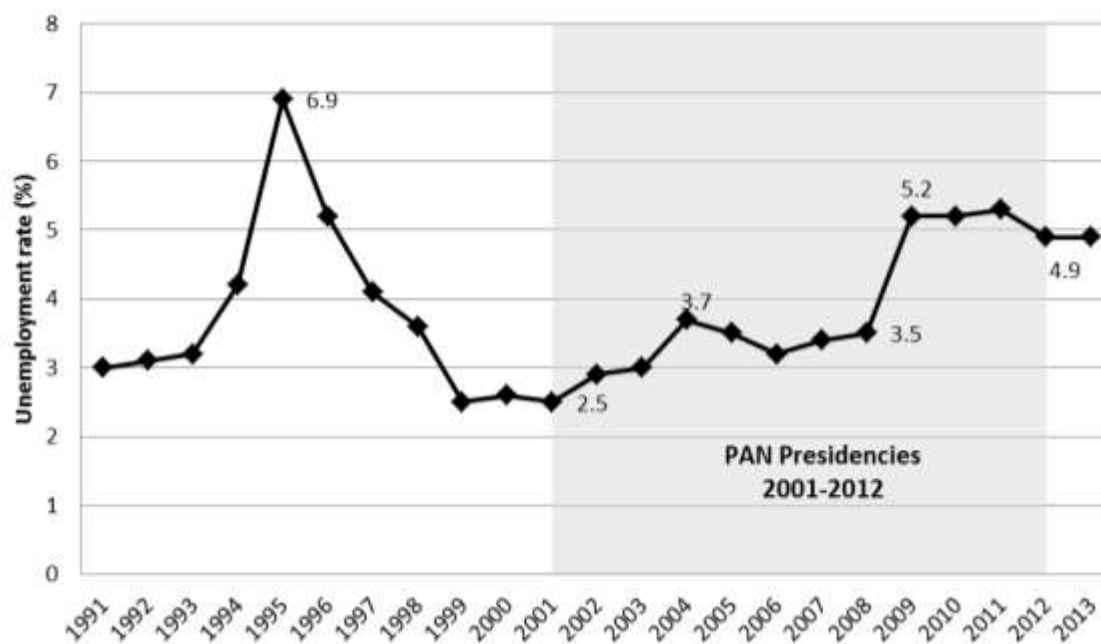


Source: Weisbrot and Ray (2012, 5)

Poverty alleviation was pursued during the 2000-2012 period through the use of programs mostly based on transfers of cash or materials rather than by increasing productive opportunities. For this reason, while people were less poor, unemployment and underemployment continue to grow during that period. As seen in Figure 4.1.4 and Table 4.1.3,

unemployment increased from around 2.6 percent in 1999-2001 to 3.7 in 2004, spiking to 5.2 in 2009 after the great recession, from which it recovered only to 4.9 by 2012.

Figure 4.1.4. Mexico: Unemployment, 1991-2013



Source: World Bank (2016c)

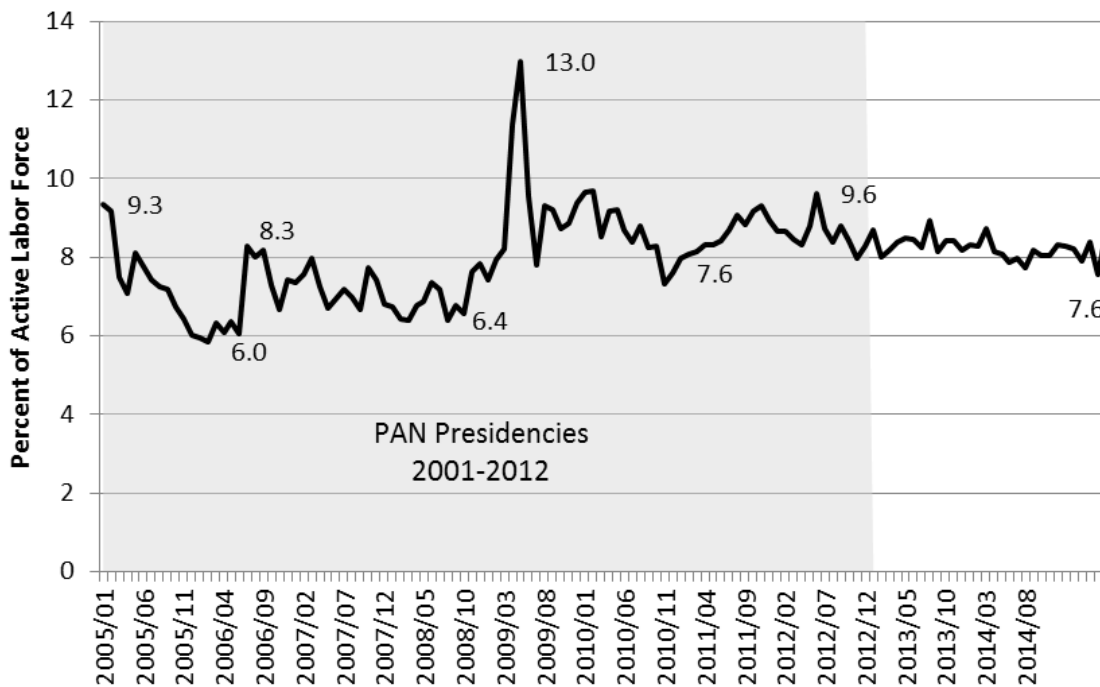
Table 4.1.3. Mexico: Unemployment, 1991-2013

Year	%	Year	%
1991	3.0	2003	3.0
1992	3.1	2004	3.7
1993	3.2	2005	3.5
1994	4.2	2006	3.2
1995	6.9	2007	3.4
1996	5.2	2008	3.5
1997	4.1	2009	5.2
1998	3.6	2010	5.2
1999	2.5	2011	5.3
2000	2.6	2012	4.9
2001	2.5	2013	4.9
2002	2.9		

Source: World Bank (2016c)

Underemployment, such as the type that takes place in the informal sector, it is understood as employment lacking standard labor conditions and characterized by low and unstable pay or incomplete workdays (INEGI 2002, 51). Underemployment became the main economic option for many Mexicans during times of economic crisis since the 1980s. This indicator fluctuated between 6.0 and 9.3 percent from 2005 to 2008, spiking in 2009 after the recession to 13.0, and becoming stable later that year around 8.3 percent (Table 4.1.4 and Figure 4.1.5).

Figure 4.1.5. Mexico: Underemployment, Seasonally Adjusted, 2005-2015



Source: INEGI (2015)

Table 4.1.4. Mexico: Under-employment, seasonally adjusted, 2005-2015

Year/Month	%	Year/Month	%	Year/Month	%	Year/Month	%
2005/01	9.3	2007/09	6.7	2010/05	9.2	2013/01	8.7
2005/02	9.2	2007/10	7.7	2010/06	8.7	2013/02	8.0
2005/03	7.5	2007/11	7.4	2010/07	8.4	2013/03	8.2
2005/04	7.1	2007/12	6.8	2010/08	8.8	2013/04	8.4
2005/05	8.1	2008/01	6.7	2010/09	8.3	2013/05	8.5
2005/06	7.8	2008/02	6.4	2010/10	8.3	2013/06	8.5
2005/07	7.4	2008/03	6.4	2010/11	7.3	2013/07	8.3
2005/08	7.3	2008/04	6.8	2010/12	7.6	2013/08	8.9
2005/09	7.2	2008/05	6.9	2011/01	8.0	2013/09	8.1
2005/10	6.7	2008/06	7.3	2011/02	8.1	2013/10	8.4
2005/11	6.4	2008/07	7.2	2011/03	8.2	2013/11	8.4
2005/12	6.0	2008/08	6.4	2011/04	8.3	2013/12	8.2
2006/01	6.0	2008/09	6.8	2011/05	8.3	2014/01	8.3
2006/02	5.9	2008/10	6.6	2011/06	8.4	2014/02	8.3
2006/03	6.3	2008/11	7.6	2011/07	8.7	2014/03	8.7
2006/04	6.1	2008/12	7.8	2011/08	9.1	2014/04	8.2
2006/05	6.4	2009/01	7.4	2011/09	8.8	2014/05	8.1
2006/06	6.1	2009/02	7.9	2011/10	9.2	2014/06	7.9
2006/07	8.3	2009/03	8.2	2011/11	9.3	2014/07	8.0
2006/08	8.0	2009/04	11.4	2011/12	8.9	2014/08	7.7
2006/09	8.2	2009/05	13.0	2012/01	8.7	2014/09	8.2
2006/10	7.3	2009/06	9.5	2012/02	8.7	2014/10	8.0
2006/11	6.7	2009/07	7.8	2012/03	8.4	2014/11	8.0
2006/12	7.4	2009/08	9.3	2012/04	8.3	2014/12	8.3
2007/01	7.3	2009/09	9.2	2012/05	8.8	2015/01	8.3
2007/02	7.6	2009/10	8.7	2012/06	9.6	2015/02	8.2
2007/03	8.0	2009/11	8.9	2012/07	8.7	2015/03	7.9
2007/04	7.3	2009/12	9.4	2012/08	8.4	2015/04	8.4
2007/05	6.7	2010/01	9.7	2012/09	8.8	2015/05	7.6
2007/06	7.0	2010/02	9.7	2012/10	8.4	2015/06	8.6
2007/07	7.2	2010/03	8.5	2012/11	8.0		
2007/08	7.0	2010/04	9.2	2012/12	8.3		

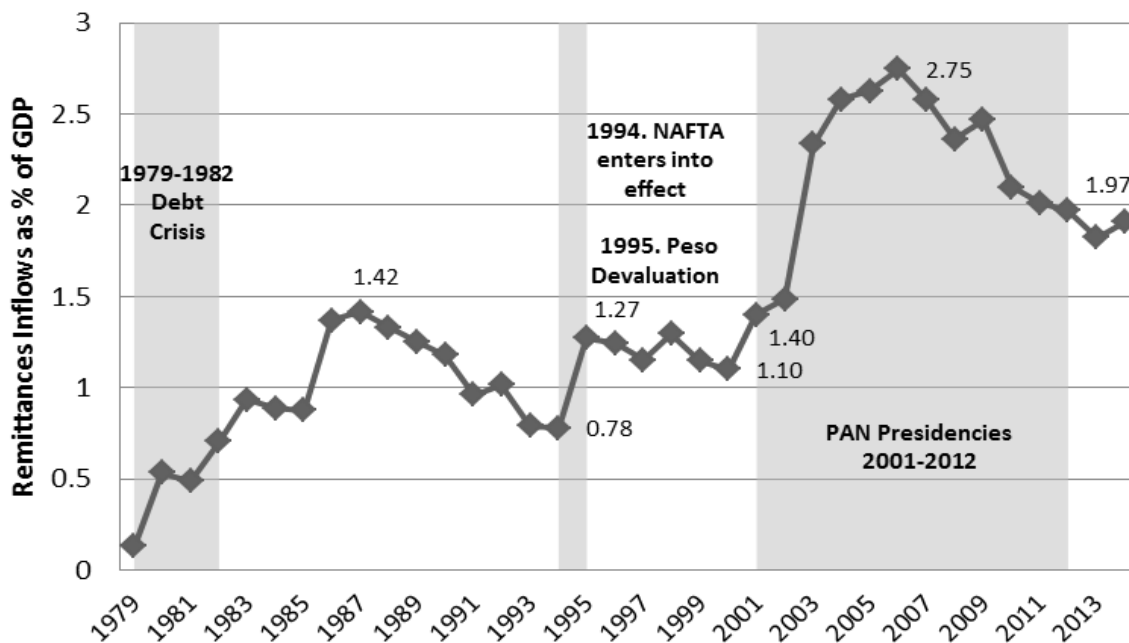
Source: INEGI (2015)

Beginning with the migrant wave that resulted from the 1980s first round of structural adjustment, remittances amounted to more than 1 percent of Mexico's GDP by the 1990s.

Migration flows doubled as a result of the changes in land tenancy laws and elimination of

subsidies required by NAFTA that made survival difficult for millions of peasants,¹⁰⁹ as well as due to the economic crisis of 1994-1995. This was also reflected in the flow of remittances, which by 1995 had more than doubled, accounting for 2.79 percent of GDP by 2006, and remaining above 2 percent through 2011 (Figure 6.1.6 and Table 6.1.5). The average contribution of remittance inflows to GDP from 2000 to 2011 was of 2.19 percent (UNDP 2015c). That is, remittances are equivalent to more than 90 percent of the 2.3 percent average GDP growth experienced in Mexico from 2000 to 2011,¹¹⁰ almost all the years of the two PAN administrations that came after the political transition that ended the PRI hegemony.

Figure 4.1.6. Mexico: Remittances Inflows as percent of GDP, 1980-2011



Source: World Bank (2016c)

¹⁰⁹ For a broader description of the way NAFTA's market approach forced the end of government-protected land tenure in Mexico see Chapter 4.1, pp.20-24.

¹¹⁰ Income from remittances is not included in GDP, which means that while they were equivalent to, they were not *responsible* for 90 percent of GDP growth during the period of study.

Table 4.1.5. Mexico: Remittances Inflows as percent of GDP, 1980-2011

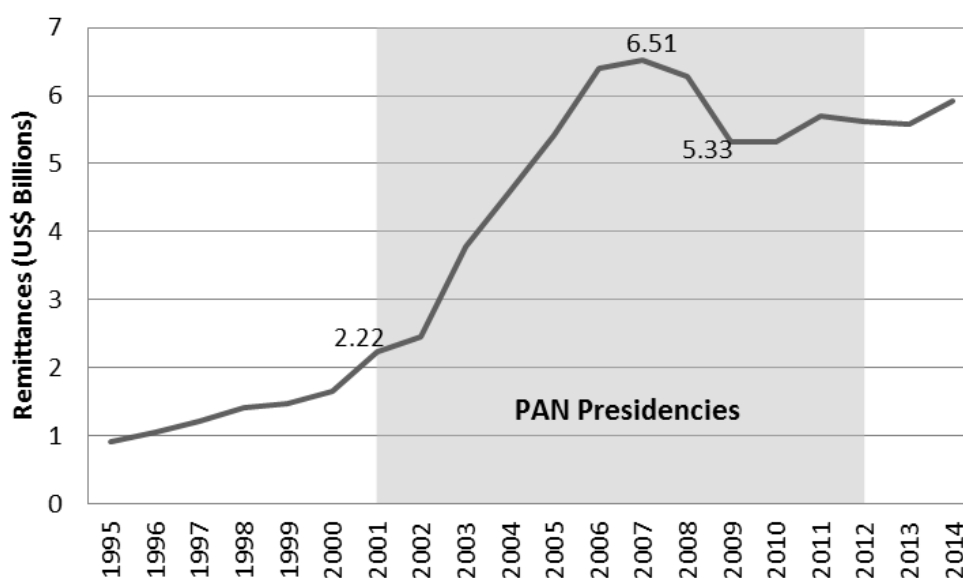
Year	%	Year	%	Year	%	Year	%
1979	0.13	1989	1.25	1999	1.15	2009	2.47
1980	0.53	1990	1.18	2000	1.10	2010	2.10
1981	0.49	1991	0.96	2001	1.40	2011	2.01
1982	0.71	1992	1.02	2002	1.49	2012	1.97
1983	0.93	1993	0.79	2003	2.33	2013	1.82
1984	0.89	1994	0.78	2004	2.58	2014	1.91
1985	0.88	1995	1.27	2005	2.63		
1986	1.37	1996	1.25	2006	2.75		
1987	1.42	1997	1.15	2007	2.58		
1988	1.33	1998	1.30	2008	2.36		

Source: World Bank (2016c)

The remittances sent by the approximately 9 million Mexicans living abroad played a significant role in keeping the Mexican economy in balance by pumping from US\$1.5 billion in 2000 to a peak of US\$6.5 billion in 2006 and remaining above US\$5.3 billion until the economic recession of 2008-2009, settling at under \$6 billion afterward (Figure 4.1.7 and Table 4.1.6).

From these numbers, it is possible to deduce that the inequality reduction that took place starting in the mid-90s and more intensely in the early part of the twenty-first century was in part driven by the flow of remittances during those periods.

Figure 4.1.7. Mexico: Remittances from Abroad 1995-2014 (Quarterly, Seasonally Adjusted)



Source: Author's calculations from INEGI (2015)

Table 4.1.6. Mexico: Remittances from Abroad, 1995-2014 (Quarterly, Seasonally Adjusted)

Year	US\$ Billions	Year	US\$ Billions
1995	0.92	2005	5.42
1996	1.06	2006	6.39
1997	1.22	2007	6.51
1998	1.41	2008	6.29
1999	1.48	2009	5.33
2000	1.64	2010	5.33
2001	2.22	2011	5.70
2002	2.45	2012	5.61
2003	3.78	2013	5.58
2004	4.58	2014	5.91

Source: Author's calculations from INEGI (2015)

Mexico's human development performance under the PAN

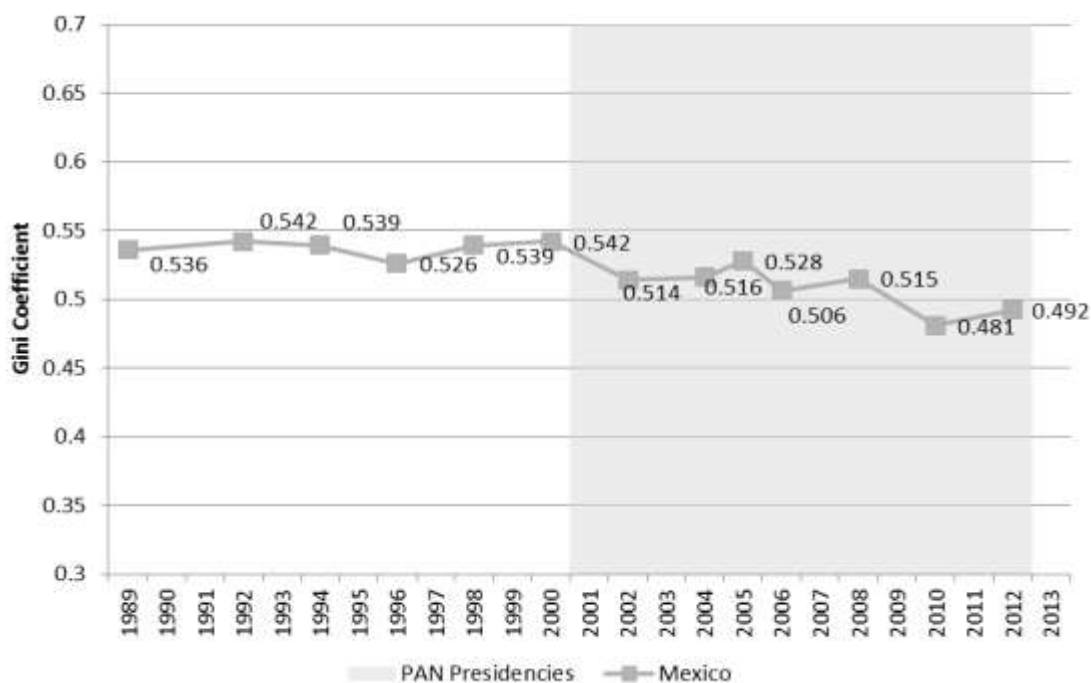
Since the 1990s the UNDP has led a move towards understanding development in a more comprehensive way than the traditional approach focusing exclusively on economic growth. As described in Chapter 1, the key indicator for assessing human development is the Human Development Index (HDI) which “measures development by combining indicators of life expectancy, educational attainment and income” (UNDP 2014a). In addition to HDI, measures of poverty and inequality are also critical to understand the extent to which the majority of a country's population is benefiting from development or not.

Mexico had advanced in reducing inequality, moving its Gini coefficient¹¹¹ from around 0.55 in the 1950s to 0.46 in 1984 (Alvarado 2008, 79; World Bank 2016c). However, as a result of the economic crisis and the first round of neoliberal reforms implemented by Miguel de la Madrid, inequality increased again, reaching a Gini value of 0.51 in 1992. Such an increase was

¹¹¹ The Gini coefficient is a measure of inequality that identifies “the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution” in which a value of 0 represents absolute equality and a value of 1 absolute inequality (UNDP 2009).

to be expected due to the dismantlement of the social safety net, as required under structural adjustment policies. However, the wealth that began accumulating at the top of the social scale during that period never really spilled down to the middle and lower classes as promised under trickle-down theory.¹¹² Some components of Salinas' Solidaridad program helped reduce poverty and inequality, which fell from a Gini coefficient value of 0.519 in 1994 to 0.485 in 1996. However, the 1995 *tequila crisis*.¹¹³ when GDP fell by 9.7 percent, caused inequality to increase again and match its 1994 level in the year 2000. A wave of governmental assistance right before the 2000 election stopped the inequality spike and stabilized this indicator again, which by 2002 was reduced to 0.497 (Figure 4.1.8).

Figure 4.1.8. Mexico: Income Inequality by Gini Coefficient, 1992-2012.



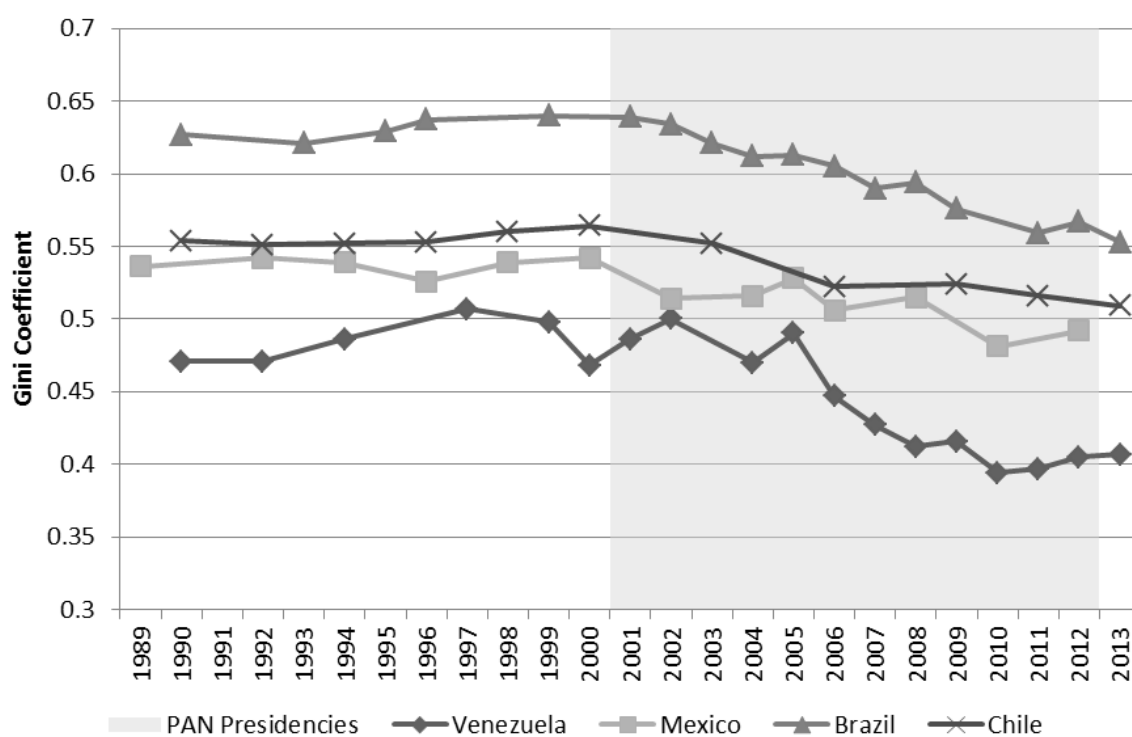
Source: ECLAC (2015).

¹¹² ‘Trickle-down’ theory is a component of the neoliberal economic ideology, which states that while population dependent on government programs will suffer economically with their dismantlement under structural adjustment, over time the wealth accumulation produced under a market economy not constrained by state intervention, will in turn *trickle-down* to the rest of society in the way of increased consumption and employment (Harvey 2007, 64-5).

¹¹³ The Mexican economic crisis of 1994-1995 is also known as the *tequila crisis*. See Chapter 4.1, p. 24.

Reduction of inequality was another goal stated by the Fox administration, and the Gini indicator certainly decreased rapidly from to 0.461 in 2004. However, the performance after that year was mixed. A significant increase took place in 2005, nearly reaching the 1994 and 2000 marks, at 0.512 Gini coefficient value. This was followed by a sharp decline to 0.481 in 2006, presumably due to the large use of public assistance resources before the election, a level of inequality that continued relatively stable until the last measure in 2012 (Figure 4.1.8). This overall trajectory of inequality reduction is consistent with the experience of other countries in the region, though they accelerate the reduction at different times (Figure 4.1.9).

Figure 4.1.9. Mexico: Gini Coefficient compared to other countries, 1989-2013



Source: ECLAC (2015).

Table 4.1.7. Mexico: Gini Coefficient compared to other countries, 1989-2013

	Venezuela	Mexico	Brazil	Chile
1989		0.536		
1990	0.471		0.627	0.554
1991				
1992	0.471	0.542		0.551
1993			0.621	
1994	0.486	0.539		0.552
1995			0.629	
1996		0.526	0.637	0.553
1997	0.507			
1998		0.539		0.560
1999	0.498		0.640	
2000	0.468	0.542		0.564
2001	0.486		0.639	
2002	0.500	0.514	0.634	
2003			0.621	0.552
2004	0.470	0.516	0.612	
2005	0.490	0.528	0.613	
2006	0.447	0.506	0.605	0.522
2007	0.427		0.590	
2008	0.412	0.515	0.594	
2009	0.416		0.576	0.524
2010	0.394	0.481		
2011	0.397		0.559	0.516
2012	0.405	0.492	0.567	
2013	0.407		0.553	0.509

Source: ECLAC (2015).

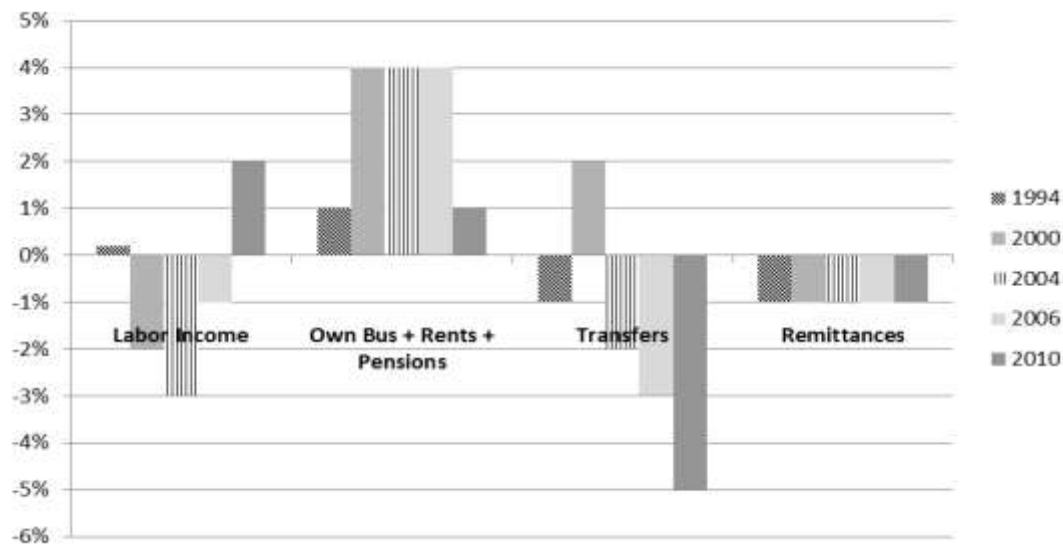
In his sympathetic study of the Progres/Oportunidades program, Niño-Zarazúa argues that, while Oportunidades had a positive impact in reducing poverty, cash transfer programs have limited effects in reducing income inequality because of their limited magnitude, just about 0.5 percent of GDP in Mexico. This is because the resources allocated through these programs may be significant enough for the individual recipients to help them improve their economic condition, but they are not large enough to represent a significant change in the country's overall income

distribution, especially in places like Latin America where income inequality is already high to begin with (Niño-Zarazúa 2010, 18).

Different income sources affect inequality in different ways, as Figure 6.1.10 makes clear. Most of the time, increases in labor income, government transfers, and remittances from abroad are activities that reduce inequality, as these are the main sources of income for the poor and the middle class. On the contrary, increases in income from owning a business, receiving rent from property, and from pensions, most commonly increase inequality as they benefit people already situated higher in the economic scale.

During the PAN administrations, cash transfers successfully contributed to the goal of reducing inequality. However, the contribution of labor income towards this end was mixed. Figure 4.1.10 shows that government transfers reduced inequality by three percent in 2006 and five percent in 2010. But instead of reducing inequality as was expected, labor income became a factor that actually increased inequality in rural areas by almost two percent in 2006 (Figure 4.1.12). Labor income also increased inequality at the national level by about two percent in 2010, the first time this happened since 1994 (Figure 4.1.10).

Figure 4.1.10. Mexico: Effect on Gini Coefficient by Income Source, 1994-2010¹¹⁴



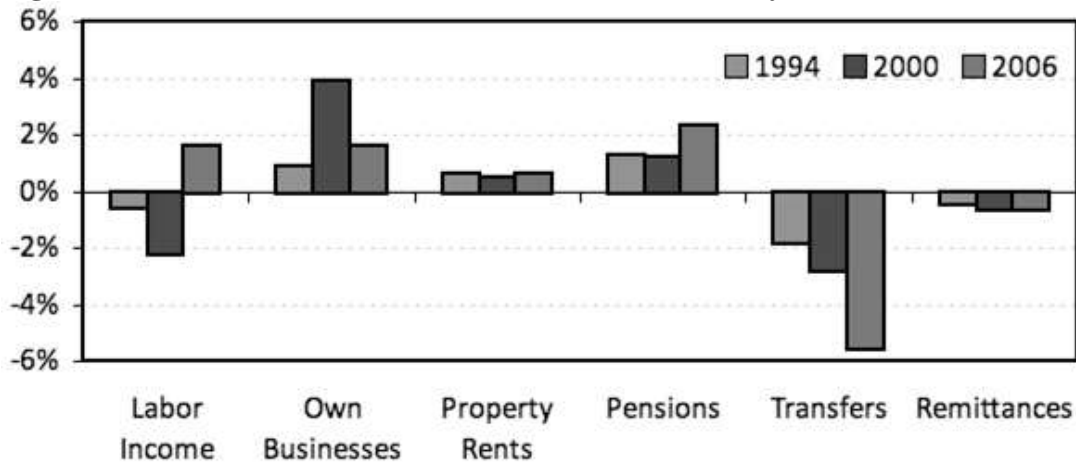
Source: Campos, Esquivel, and Lustig (2012, 5)

An increase in labor income becomes an inequality-increasing factor when it is spread more in the mid to upper economic brackets, as opposed to the middle down. These figures basically mean that those who receive income from labor, especially in rural areas, belong already to the upper income brackets in those areas. This means that in those places, increased income from labor just continues to expand the difference with those on the lower brackets who do not count on sources of labor income. The poor, instead of having productive alternatives to get ahead economically, rely increasingly on redistributive sources of income from the government and from the remittances sent by Mexicans living abroad.

As Figure 4.1.11 demonstrates, rural areas are significantly and increasingly dependent on government transfers, to the extent that such support may constitute almost all the income for people living in extreme poverty (Serdán 2006, 12). This situation is different from what is observed in urban areas (Figure 4.1.12) where there is less reliance on transfers and labor income is the main source of inequality reduction.

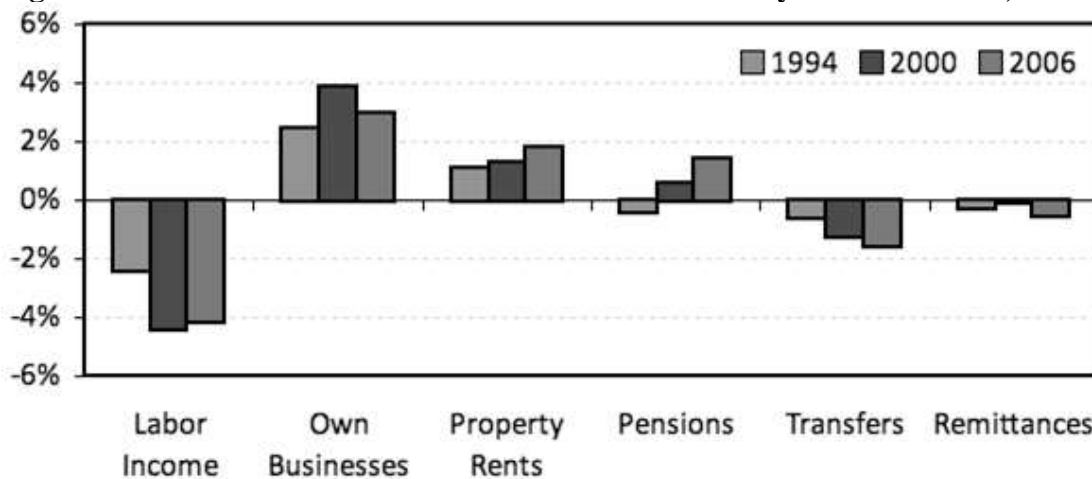
¹¹⁴ The marginal effect on Gini coefficient represents the contribution that a determined source of income has on inequality, with positive percentages meaning a contribution that increases inequality while negative numbers portray an inequality-decreasing component.

Figure 4.1.11 Rural Mexico: Effect on Gini Coefficient by Income Source, 1994-2006



Source: Esquivel (2011, 168)

Figure 4.1.12 Urban Mexico: Effect on Gini Coefficient by Income Source, 1994-2006



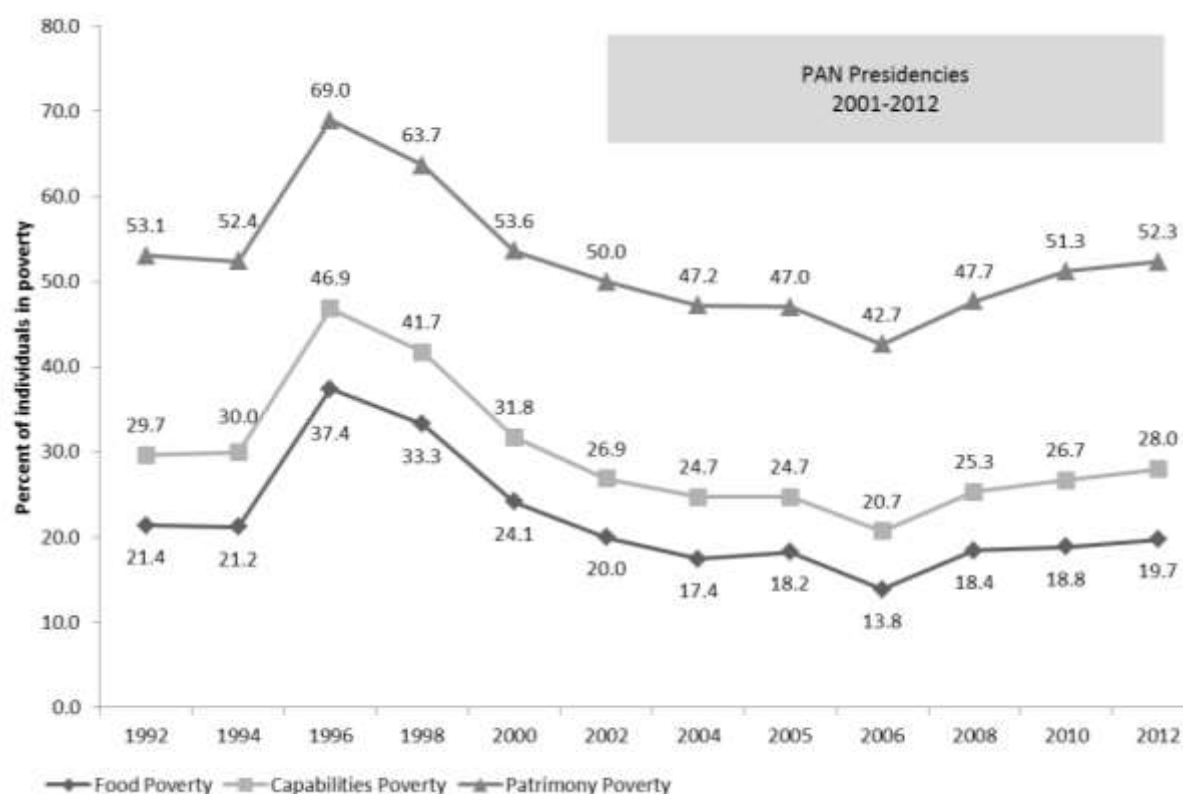
Source: Esquivel (2011, 168)

The economic crisis of 1995 affected the poor more than anyone else, almost doubling the percent of the population living in “extreme poverty,” defined in Mexico as those “unable to afford adequate food,” from 21.2 percent in 1994 to 37.4 percent in 1996 (Weisbrot and Ray 2012, 7). This situation did not return to its pre-crisis level until 2001, the first year after the PAN took power. Extreme poverty levels remained around 18 percent of the population from 2002 to 2010, with a sharp but short lived decline to 13.8 in the election year of 2006. The percentage of people living in “patrimony poverty,” defined as those “unable to afford housing,

clothing, transportation, healthcare, education, and food,” experienced a similar pattern, rising from 52.5 percent in 1994 to 69 percent in 1996, declining to 42.7 percent in 2006, and increasing again up to 52.3 percent by 2012 (Figure 4.1.13).

The spike in poverty levels that took place after 2006 is a result in large part of the cuts in poverty alleviation programs that the Calderón administration implemented beginning with his first budget for 2007, when he cut MX\$18.7 billion, or roughly over US\$ 1.4 billion (Cruz Martínez 2006).

Figure 4.1.13. Mexico: Poverty Levels Based on Income Dimension,¹¹⁵ 1992-2012



Source: SEDESOL (2013)

¹¹⁵ The Mexican government’s CONEVAL (National Council for the Evaluation of Social Development Policy) defines categories of poverty as follows: Food Poverty is the “incapacity to obtain a basic food basket”; Capabilities Poverty is the “insufficiency of the available income to acquire the food basket value and make the necessary expenses in health and education”, and Patrimony Poverty is the “insufficiency of the available income to acquire the food basket value, as well as to make the necessary expenses in health, education, clothing, housing and transportation” (CONEVAL).

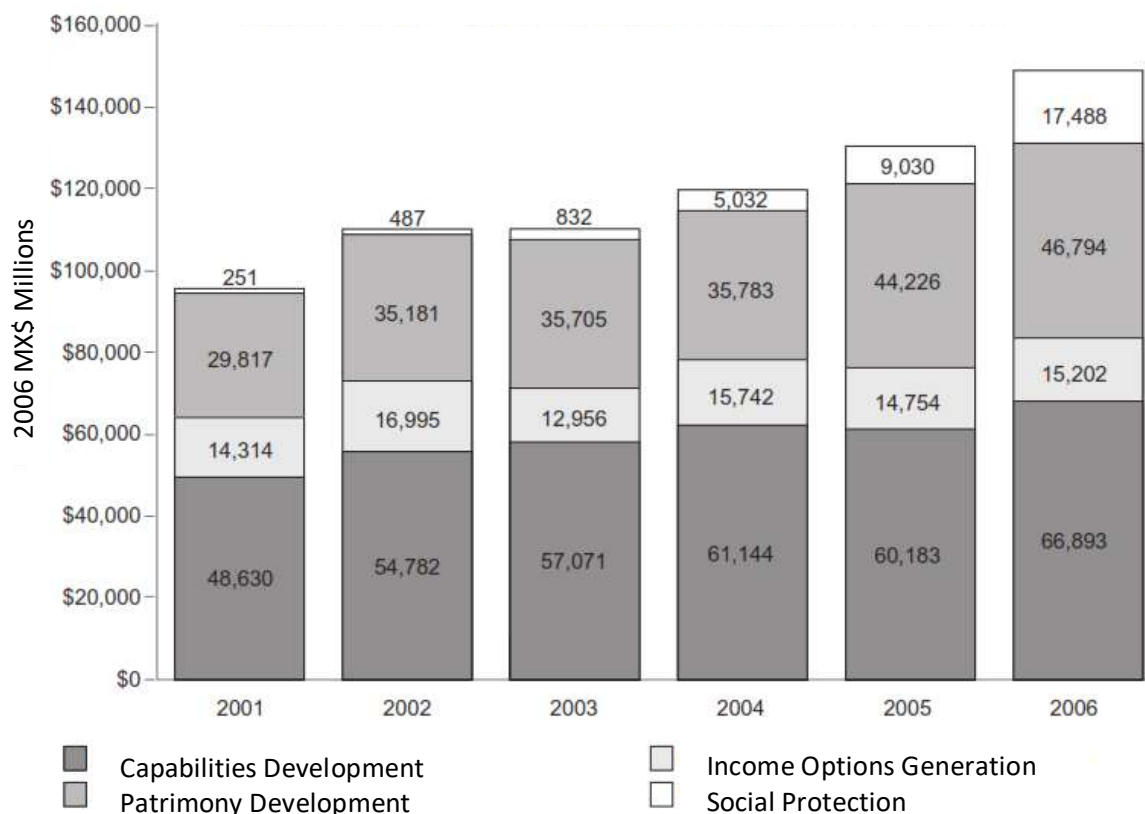
The 2011 UNDP report on Human Development in Mexico explains that most of the cash transfers that took place under the Procampo program¹¹⁶ were distributed proportionally to the size of land owned, so that they actually supported the large producers. Over 70 percent of subsidies went to the wealthier 20 percent of businesses. This is contrary to the program's stated goal of helping small family farms affected by NAFTA in order to stabilize their incomes and make them competitive against producers from Canada and the US. This, and unbalanced competition against U.S. subsidized agricultural products, are the main reasons why, since the implementation of NAFTA, the majority of people living in rural Mexico have become increasingly dependent on remittances from families living abroad.

In addition, this situation also made rural families more dependent on government material and cash transfers, which has also increased their vulnerability to political manipulation. This situation is exacerbated by the fact that, out of all the government's subsidy and cash transfer initiatives, only the Oportunidades program contributes to a progressive distribution of resources (UNDP 2011, 17, 139).

The government's focus on cash transfers and low emphasis on productive opportunities for poverty alleviation contributes to this issue too. During the Fox administration, less than 15 percent of the poverty alleviation budget was used in the area of "Income Options Generation," which included programs for subsidized temporary employment. Almost half of this budget went to the Conditional Cash-Transfer program Oportunidades in 2006 representing the "Capabilities Development" category, while a third was used on infrastructure initiatives deemed "Patrimony Development." The "Social Protection" category increased during the Fox administration from almost nothing to over ten percent of the budget in 2006 mainly because of the creation of the low-income insurance program *Seguro Popular* (Figure 4.1.14).

¹¹⁶ The Procampo program is explained at length in Chapter 3.

Figure 4.1.14. Mexico: Poverty Alleviation Budget by Focus Area, 2001-2006

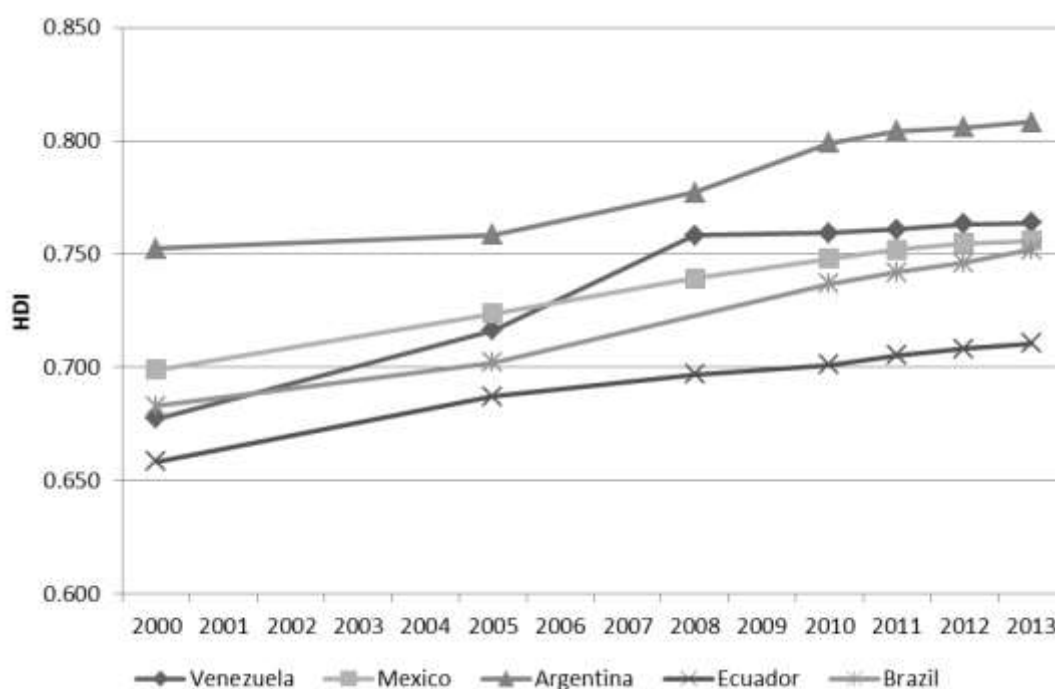


Source: Pirker and Serdán (Pirker and Serdán 2006, 21).

Human development improved in Mexico during the Fox and Calderón administrations (Figure 4.1.15 and Table 4.1.8), though not at the same speed as countries like Venezuela, as reflected by the Human Development Index (HDI).¹¹⁷ Mexico's HDI increased from 0.699 in 2000 to 0.755 in 2012 (UNDP 2014c).

¹¹⁷ See page 11 in this chapter for HDI's description.

Figure 4.1.15. Mexico and select Latin American countries: HDI Evolution, 2000-2013



Source: Author calculations from UNDP (2014c)

Table 4.1.8. Mexico and select Latin American countries: HDI Evolution, 2000-2013

Country	2000	2005	2008	2010	2011	2012	2013
Venezuela	0.677	0.716	0.758	0.759	0.761	0.763	0.764
Mexico	0.699	0.724	0.739	0.748	0.752	0.755	0.756
Argentina	0.753	0.758	0.777	0.799	0.804	0.806	0.808
Ecuador	0.658	0.687	0.697	0.701	0.705	0.708	0.711
Brazil	0.683	0.702		0.737	0.742	0.746	0.752

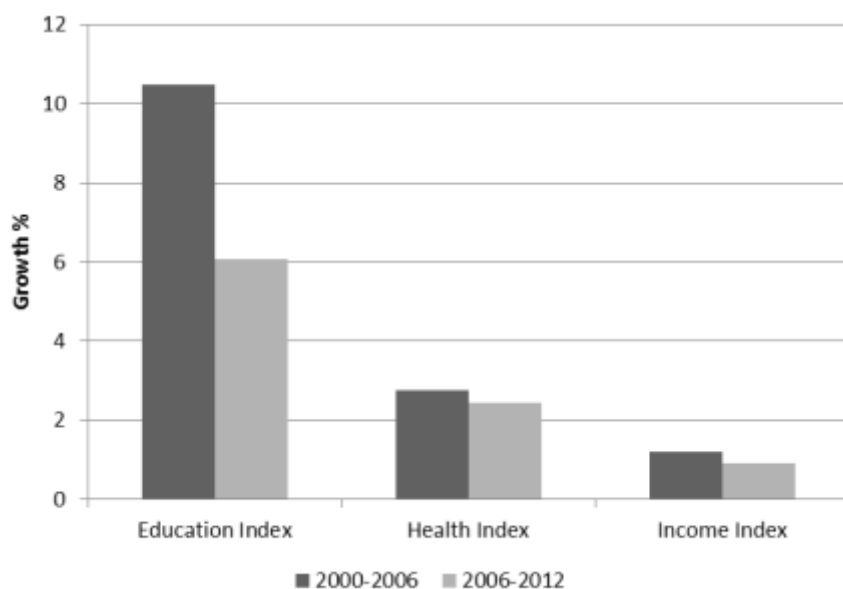
Source: Author calculations from UNDP (2014c)

For both Fox and Calderón, the Education Index was the main contributor to the country’s HDI growth, with increases of over ten percent and six percent respectively (Figure 4.1.17 and Table 4.1.10). The education index is measured based on enrollment, which does not necessarily mean that students are learning or that they are even attending classes, or about the

quality of those classes. Nonetheless, the education index gains are greater than the improvements achieved by the two presidents on the health and income indexes, which were smaller than three percent.

Of the health and income indexes, the income index reveals more stagnation, with increases of just around one percent in both presidential terms (Figure 4.1.16 and Table 4.1.9). In all indexes, the Fox administration outperformed the Calderón presidency. This could possibly be explained by the 2008 global economic recession, though the evolution of the indexes does not show a sudden slump that would be expected if this were the case (Figure 4.1.17 and Table 4.1.10).

Figure 4.1.16. Mexico: Percent Change in Human Development Indexes, 2000-2013



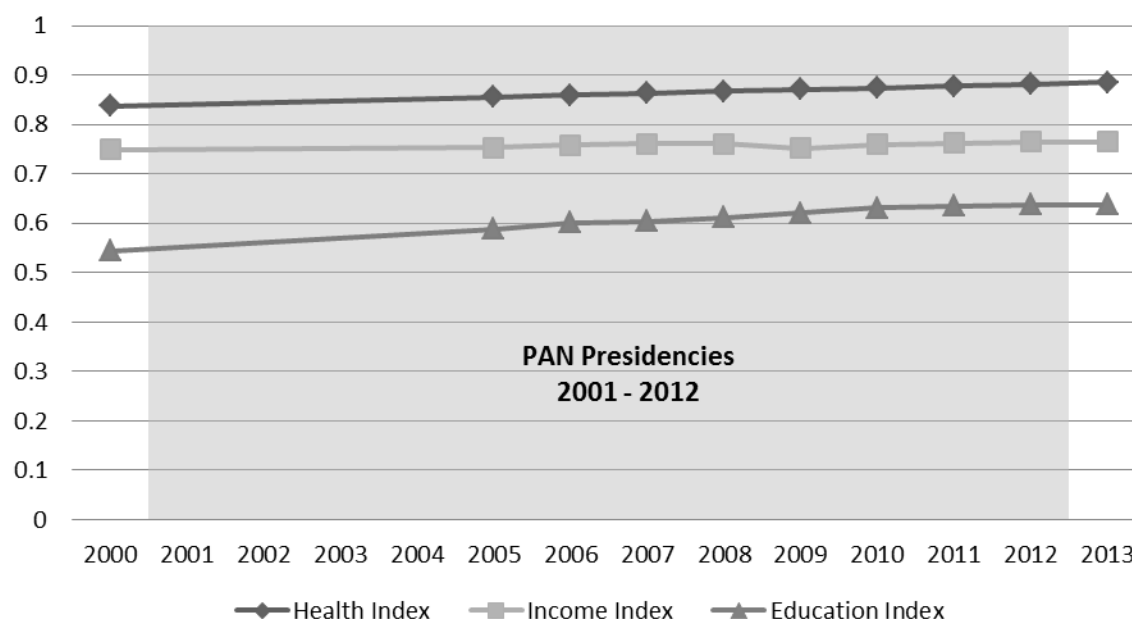
Source: Author calculations from UNDP (2014c)

Table 4.1.9. Mexico: Percent Change in Human Development Indexes, 2000-2013

	2000-2006	2006-2012
Education Index	10.5	6.1
Health Index	2.7	2.4
Income Index	1.2	0.9

Source: Author calculations from UNDP (2014c)

Figure 4.1.17. Mexico: Evolution in Human Development Indexes, 2000-2013



Source: Author calculations from UNDP (2014c)

Table 4.1.10. Mexico: Evolution in Human Development Indexes, 2000-2013

Country	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education Index	0.544	0.588	0.601	0.604	0.612	0.621	0.631	0.636	0.638	0.638
Health Index	0.837	0.856	0.86	0.863	0.867	0.871	0.874	0.878	0.881	0.885
Income Index	0.749	0.753	0.758	0.761	0.761	0.752	0.759	0.762	0.765	0.765

Source: UNDP (2014c)

Conclusion to 4.1 Human Development with Clientelist Continuity in Mexico 2000-2012

Mexico continued to grow economically during the PAN administrations from 2000 to 2012 through the continuation of a neoliberal agenda and under a bonanza of high oil prices. Such growth was as modest as that of the previous three PRI governments, the ones that initiated the neoliberal reforms, and lower than the average for the Latin American region during the same period.

During the first years of the Fox administration there were reductions in poverty and inequality. However, there was a reversal in these indicators that by 2012 had brought them

back close to the levels where they were when the first PAN government was inaugurated in 2000. While poverty and inequality showed mixed results during this period, unemployment increased steadily, as a result of the PAN governments' anti-poverty strategy that relied more on conditional cash transfers through programs like Oportunidades, than in productive programs and employment generating initiatives. This situation is also reflected in underemployment figures that remained constantly high, showing lack of opportunities for stable employment. Fortunately for some Mexicans, record migration patterns resulted in a flow of remittances during the PAN presidencies that accounted for more than ninety percent of this period's GDP growth.

The government's social assistance programs helped to reduce inequality and poverty during this period. This helped the country to make gains in human development indicators during this period, an improvement that slowed down after the 2008 economic recession. However, the PAN administrations did so through cash transfer mechanisms that were implemented in ways that increased economic dependency and political vulnerability, instead of promoting economic independence and political participation. This situation was particularly acute in rural areas, where public assistance and income from remittances make most of the income for some people, creating a fertile ground for political manipulation of resources.

4.2 Human Development Improvements with Government-Promoted Participation in Venezuela, 1999-2013.

Introduction

Before the election of Hugo Chávez, the clientelist Venezuelan political system was based on the crumbling pact of Punto Fijo. During the 1990s, this arrangement devolved into an economic and political situation in which the government and political parties were no longer able to respond to their specific clientele, nor to the demands of an increasingly economically stressed majority. The implementation of neoliberal reforms, done without the consent of the electorate, resulted in increased poverty and inequality, moderate economic growth, and inflation soaring above 100 percent in 1996. People's dissatisfaction with this situation drove them to elect an outsider like Chávez, who promised to dismantle the political clientelist system and to implement policies that would reduce inequality. In order to do this, as described in Chapter 3, Chávez attempted to address the social and economic needs of those traditionally disenfranchised through the implementation of participatory policies. This section analyzes quantitatively the impact of such policies, as well as the overall state of the Venezuelan economy during that period¹¹⁸.

In order to do so, this section first examines relevant macroeconomic indicators, such as GDP and inflation, analyzing historical variation and comparing Venezuela's performance to other countries in the region. After this, we focus on socio-economic indicators such as poverty

¹¹⁸ Hugo Chávez was inaugurated on February 2, 1999, which means that he did not chose the budget and his policies only have a partial impact in the statistical information for that year. The president fell ill in late 2012 and died in office on March 5, 2013. For this reasons, for statistical purposes this project looks at the period 2000-2012 as the time in which economic and social indicators reflect the impact of Chávez's policies.

and inequality, as well as health, employment, education, and the aggregate Human Development Index (HDI), to evaluate the country's human development performance.

While some of Chávez's critics argue that his administration failed in all policy aspects, including social policy (Rodríguez 2008), most criticisms focus on the claim that the Venezuelan government pushed its redistributive social agenda against neoliberal prescriptions and at the expense of "destroying the economy" (Corrales 2010; Voigt 2013). Nonetheless, this section's findings show that during the Chávez presidency human development achievements were certainly positive, but the country's macroeconomic performance was also strong.

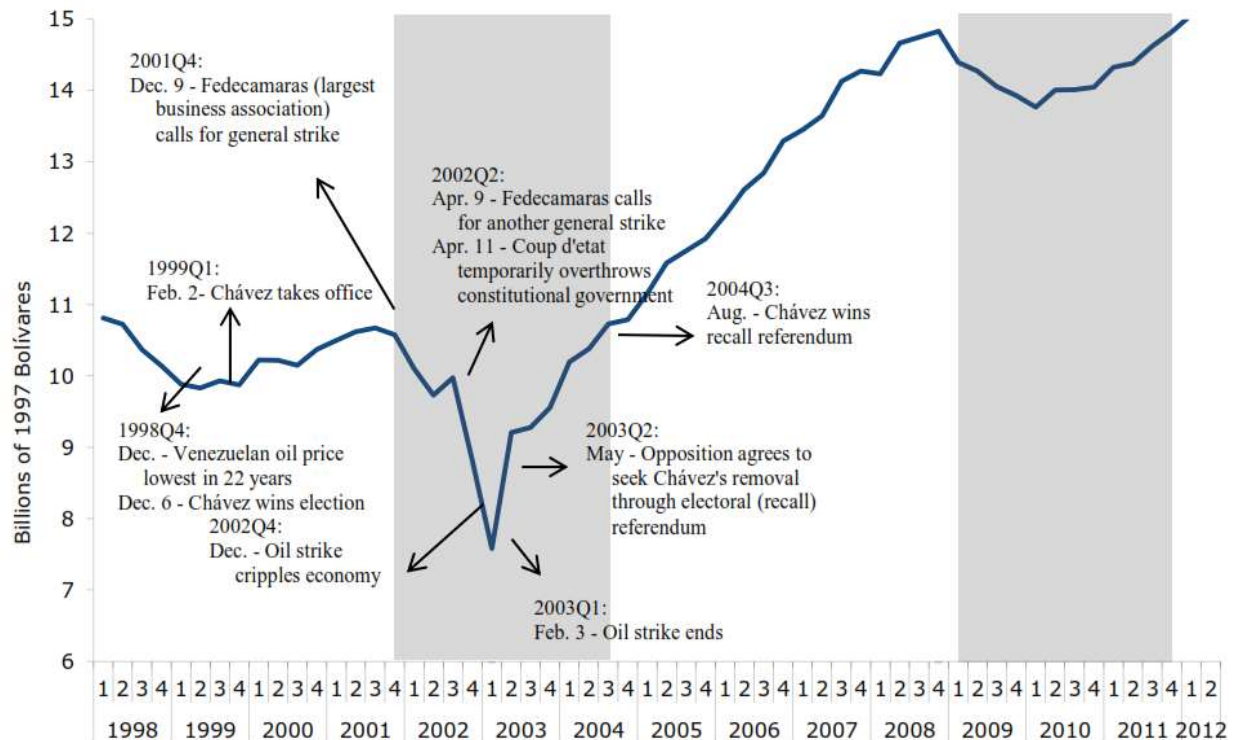
It is important to note that after the period analyzed in this project, the economic performance on most of the indicators presented here declined significantly. Part of this may be attributable to the economic model implemented by Chávez and described here. And part of the economic decline can be attributed to external events, such as the unprecedented collapse in prices of oil, and to the decisions of his successor, Nicolás Maduro. While this chapter focuses exclusively on the country's performance during the Chávez era, Chapter 7 provides a brief analysis of the Venezuelan situation post Chávez and suggests possible explanatory tracks to better understand the radical economic decline that took place, and the extent to which this might affect the conclusions reached in the present study.

Venezuela's macroeconomic performance under Chávez

The most important step taken by Chávez in the direction of improving the national economy was the Hydrocarbons decree-law of 2001, which required that the nation retain a significantly higher percentage of the revenue produced by oil companies extracting the country's main natural resource, raising royalties to 30 percent from 16.6 percent that was

established in 1943(Ellsworth 2004; Law Library of Congress 2015; Wilpert 2003a). Despite the fact that international oil prices were at record lows at the beginning of the new government, the higher revenue from oil that resulted from the implementation of the hydrocarbons law helped finance the beginnings of social programs that would later become the cornerstone of the *Chavista* social policy. However, most of the economic expansion during the Chávez presidency took place once the government was able to control the national oil company after the general strikes of 2001 and 2002, the failed coup of 2002, and the 2002-2003 oil lockout (See Chapter 3.2 and Figure 4.2.1).

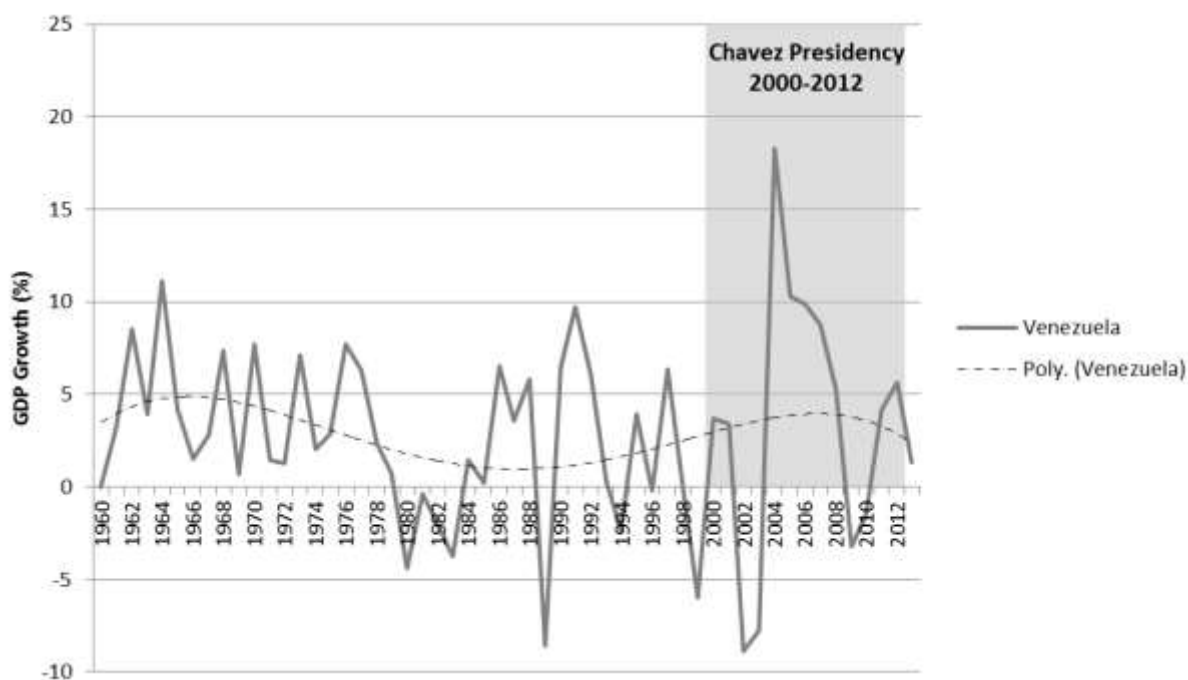
Figure 4.2.1. Venezuela: Real GDP (seasonally-adjusted), 1998-2012



Source: Weisbrot and Johnston (2012, 12)

Venezuelan GDP grew at over 18 percent in 2004, the first year of the recovery and above eight percent the following three years (Figure 4.2.2 and Table 4.2.1).

Figure 4.2.2. Venezuela: GDP Growth and Polynomial¹¹⁹ Regression, 1960-2013¹²⁰



Source: World Bank (2016c).

The rapid growth that the Venezuelan economy experienced after the oil lockout and until the great recession was continually underestimated in IMF forecasts by as much as ten percent between 2004 and 2006. Economic forecasts and news' reports critical of the Chávez administration (IMF 2015; Morss, Colmenares, and Sandoval 2009; Weisbrot 2010) had predicted that, due to its presumably erroneous economic policy, the country's economy would collapse when oil prices eventually dropped. These dropped dramatically during the global economic recession at the end of 2008 and early 2009.

The drop in oil prices during the great recession of 2008-2009 affected negatively the Venezuelan economy, which experienced a negative GDP growth of 3.2 percent in 2009, from a positive 5.3 percent in 2008 (Figure 4.2.2 and Table 4.2.1).

¹¹⁹ A polynomial regression showing main inflexion points is used in this graph instead of a linear regression in order to show the main tendencies in the variation of the data during the period described.

¹²⁰ The high average growth experienced during the Chávez administration is comparable to that experienced in Venezuela during the 1960s and 1970s, and contrasting to the limited average growth of the 1980s and 1990s.

Table 4.2.1. Venezuela: GDP, GDP Growth, Oil Rents, and External Debt, 1960-2014

Year	GDP ^a	GDP % Growth	Oil Rent % GDP	External debt ^b	Year	GDP ^a	GDP % Growth	Oil Rent % GDP	External debt ^b
1960	45.0				1991	114.5	9.7	27.4	66.7
1961	46.5	3.2			1992	121.4	6.1	23.6	66.7
1962	50.4	8.5			1993	121.7	0.3	21.6	66.6
1963	52.4	3.9			1994	118.9	-2.3	21.4	67.6
1964	58.2	11.1			1995	123.6	4.0	19.3	49.0
1965	60.7	4.2			1996	123.3	-0.2	29.6	52.2
1966	61.6	1.5			1997	131.2	6.4	23.0	47.9
1967	63.3	2.8			1998	131.6	0.3	12.7	49.7
1968	68.0	7.3			1999	123.7	-6.0	15.4	45.1
1969	68.4	0.7			2000	128.3	3.7	23.1	36.9
1970	73.7	7.7	11.2	12.0	2001	132.6	3.4	18.0	32.7
1971	74.8	1.5	13.9	14.6	2002	120.9	-8.9	22.4	41.2
1972	75.8	1.3	12.2	16.9	2003	111.5	-7.8	26.1	46.9
1973	81.2	7.1	16.5	15.4	2004	131.9	18.3	33.2	36.0
1974	82.8	2.1	39.7	9.6	2005	145.5	10.3	38.6	31.6
1975	85.2	2.9	27.3	7.3	2006	159.9	9.9	37.7	24.1
1976	91.8	7.7	25.9	13.7	2007	173.9	8.8	28.4	24.4
1977	97.6	6.3	23.3	25.4	2008	183.1	5.3	29.1	21.1
1978	99.9	2.3	21.1	35.7	2009	177.2	-3.2	16.6	25.1
1979	100.6	0.8	46.8	43.2	2010	174.6	-1.5	18.0	25.1
1980	96.2	-4.4	41.7	43.6	2011	181.8	4.2	29.9	35.8
1981	95.8	-0.4	33.9	42.3	2012	192.1	5.6	23.8	32.0
1982	93.8	-2.1	26.9	42.8	2013	194.7	1.3	23.6	27.5
1983	90.3	-3.8	22.2	50.1	2014	186.9	-4.0		
1984	91.6	1.4	30.0	68.5					
1985	91.8	0.2	24.9	63.5					
1986	97.8	6.5	12.2	59.9					
1987	101.3	3.6	22.1	79.1					
1988	107.2	5.8	13.8	61.3					
1989	98.0	-8.6	24.3	81.4					
1990	104.3	6.5	32.9	71.7					

a. Constant 2005 US\$ Billions

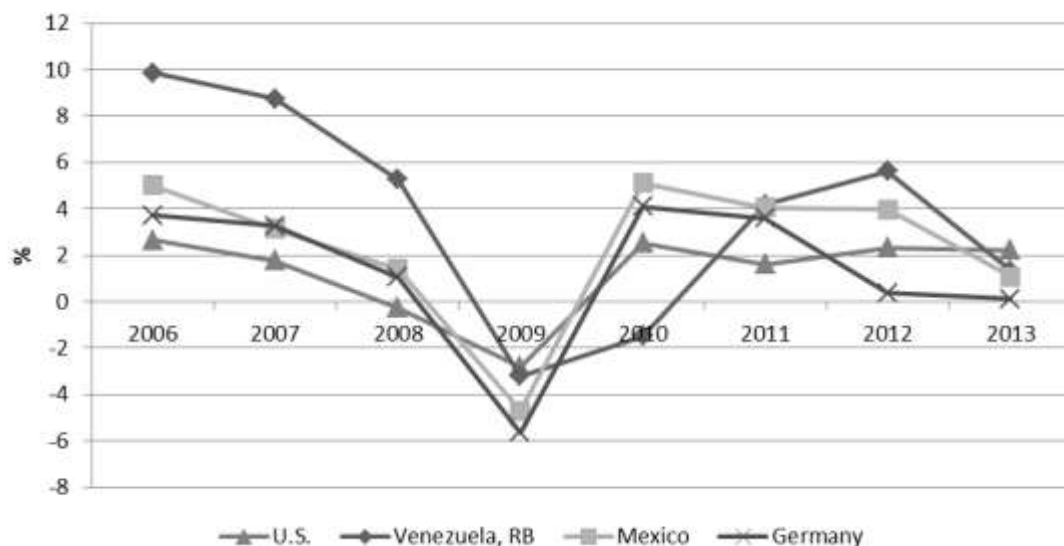
b. % of GNI

Source: World Bank (2016c).

Nonetheless, the growth decline in Venezuela was not as deep and as long as the critics of the government policies had predicted. In 2010 the country showed a slight improvement to an annual negative growth of 1.5 percent, and by 2011 the economy grew back at a positive 4

percent. Moreover, as Figure 4.2.3 shows, not only was the Venezuelan economic crisis not as pronounced as some had foreseen, but the economic decline it experienced was similar to that of the United States, and smaller than that of Mexico's negative 4.7 percent or Germany's negative 5.6 percent, showing a recovery at about the same pace as these other countries.

Figure 4.2.3. Venezuela and select countries: GDP Growth (annual %) 2006-2013



Source: World Bank (2016c).

Table 4.2.2. Venezuela and select countries: GDP Growth (annual %) 2006-2013

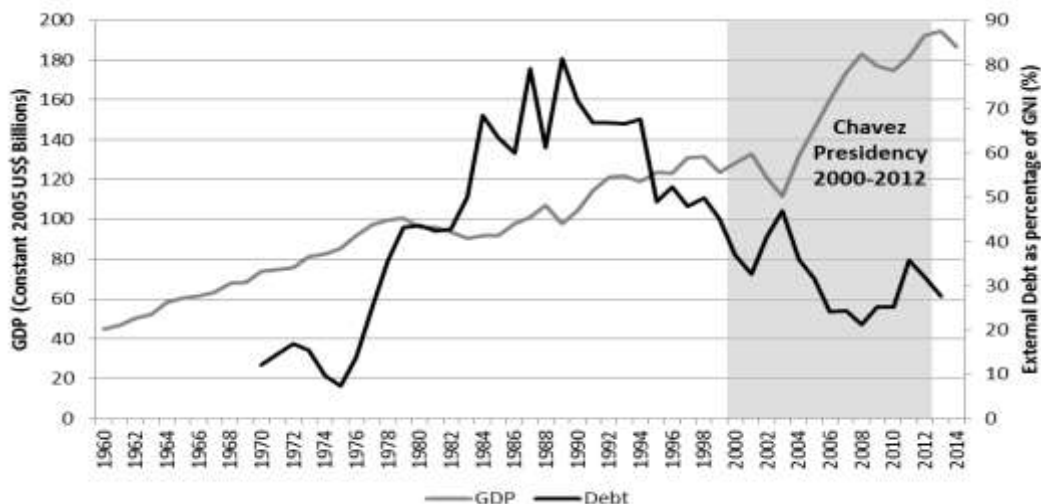
Year	Mexico	Germany	U.S.	Venezuela
2006	5.0	3.7	2.7	9.9
2007	3.1	3.3	1.8	8.8
2008	1.4	1.1	-0.3	5.3
2009	-4.7	-5.6	-2.8	-3.2
2010	5.1	4.1	2.5	-1.5
2011	4.0	3.6	1.6	4.2
2012	4.0	0.4	2.3	5.6
2013	1.1	0.1	2.2	1.3

Source: World Bank (2016c).

The main factor crippling the Venezuelan economy since the 1970s was a rising external debt, which skyrocketed from less than ten percent of GNI in 1974 to almost eighty percent in 1987 (Figure 4.2.4 and Table 4.2.1). This indicator experienced a small reduction starting in

1990 which settled at around sixty six percent until 1994, when it started to experience a continuous reduction again. Such a declining trend continued during the Chávez administration, with only a brief spike in 2002-2003 caused by the economic crisis resulting from the oil lockout.

Figure 4.2.4. Venezuela: GDP vs External Debt as percentage of GNI, 1960-2014



Source: World Bank (2016c).

In 2008 Venezuela recorded its lowest external debt as percentage of GNI in 32 years, at twenty-one percent. As a response to the great recession the government increased its external debt, reaching 35.8 percent in 2011, after which this indicator experienced a new decline. This illustrates the overall stability of the Venezuelan economic growth during the Chávez administration. The government did not base its economic growth on debt accumulation, as happened during the 1970s and 1980s. On the contrary, it continued to reduce its debt to its lowest level in more than thirty years. And when it had to borrow to counter the impact of the 2008 global recession, it did it for a short period of time, returning to its strategy of debt reduction in 2011.

Contrary to common misperception, most of the economic growth during the Chávez administration took place in non-oil related components of the economy, and the private sector

grew faster than the public sector (Table 4.2.3 and Figures 4.2.5 and 4.2.6). All areas of the economy experienced a sharp decline during the oil strike, and featured a large growth spike during the economic recovery right after it. Nonetheless, the oil sector entered into a period of negative growth between 2005 and 2007 (Figure 4.2.6 and Table 4.2.3). This demonstrates that the economic growth of the Venezuelan economy during the Chávez administration was not so dependent on oil revenues, but it was also largely driven by private economic activity. Many in the Venezuelan economic elites may be strong members of Chávez's opposition, to a significant extent due to the fear that the government's ongoing nationalization initiatives (Economist 2010; Reuters 2011) would reach their own businesses. Nonetheless, their companies still fared better during his presidency than in any other period in the previous thirty years.

Table 4.2.3. Venezuela: Real Sector Growth 2000-2012. Real Percent Change, Year on Year

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Real GDP growth	3.7	3.4	-8.9	-7.8	18.3	10.3	9.9	8.2	4.8	-3.2	-1.5	4.2	5.6
Public	3.0	-0.6	-11.1	-1.3	12.5	2.8	2.7	7.5	16.9	1.1	0.0	3.8	3.0
Private	4.2	4.9	-5.8	-8.9	17.2	12.9	11.3	7.7	0.4	-4.3	-2.1	4.0	6.4
By Economic Activity													
Oil Sector	2.3	-0.9	-14.2	-1.9	13.7	-1.5	-2.0	-4.2	2.5	-7.4	0.1	0.6	1.6
Non-Oil Sector	4.2	4.0	-6.0	-7.4	16.1	12.2	10.9	9.6	5.1	-1.7	-1.6	4.5	5.8
Mining	15.3	2.8	4.3	-4.4	14.2	3.0	7.2	1.5	-4.2	-10.3	-13.0	5.2	-4.8
Manufacturing	5.1	3.7	-13.1	-6.8	21.4	11.1	8.3	7.4	1.4	-6.4	-3.4	3.8	0.7
Utilities	4.7	4.8	2.1	-0.5	8.5	11.2	4.9	-1.5	5.7	4.1	-5.8	5.0	3.0
Construction	4.0	13.5	-8.4	-39.5	25.1	20.0	30.6	15.5	3.7	-0.2	-7.0	4.8	22.5
Trade / Repairs	5.7	4.6	-13.6	-9.6	28.6	21.0	15.7	16.7	4.6	-8.2	-6.1	6.5	8.9
Transportation	12.5	-1.3	-10.4	-8.0	24.6	14.7	14.3	13.3	3.8	-8.4	-2.0	5.8	8.5
Communications	2.1	8.1	2.5	-5.0	12.9	22.4	23.5	19.8	18.2	12.1	7.9	7.3	7.3
Finance/Insurance	-0.7	2.8	-14.5	11.9	37.9	36.4	47.2	16.4	-4.6	-1.5	-7.6	12.0	31.8
Real Estate	0.8	3.5	-0.7	-6.0	11.1	7.9	8.6	5.8	2.7	-1.1	-0.7	3.5	4.1
Non-profits	0.9	2.1	0.1	-0.3	9.4	8.2	16.5	10.9	9.5	2.0	-0.1	5.8	6.8
Gov't Services	2.8	2.5	-0.4	4.9	11.1	8.0	3.0	5.7	5.3	2.4	2.6	5.5	5.2
Other ^b	5.2	1.8	-1.0	-2.9	7.2	12.6	3.7	5.0	5.6	-0.5	-1.0	-1.4	3.3
By Expense Type													
Govt Consumption	4.2	6.9	-2.5	5.7	14.2	10.7	9.6	13.8	4.8	1.5	2.1	5.9	5.4
Private Consump.	4.7	6.0	-7.1	-4.3	15.4	15.7	15.5	16.9	6.3	-2.9	-1.9	4.0	6.2
Gross Capital Formation	2.6	13.8	-18.4	-37.0	49.7	38.4	29.3	25.6	2.4	-8.3	-6.3	4.4	18.4
Exports	5.8	-3.5	-4.0	-10.4	13.7	3.8	-3.0	-7.6	-1.0	-13.7	-12.9	4.7	-2.4
Imports	12.4	14.1	-25.2	-20.9	57.7	35.2	34.8	33.0	1.4	-19.6	-2.9	15.4	30.9

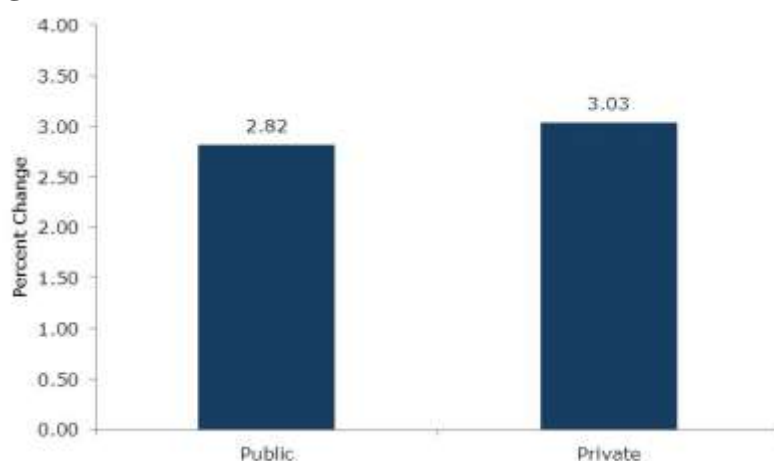
Notes:

a. Growth in the first half of 2012 compared to the same period in 2011.

b. Includes private agriculture, restaurants and private hotels and various public sector activities.

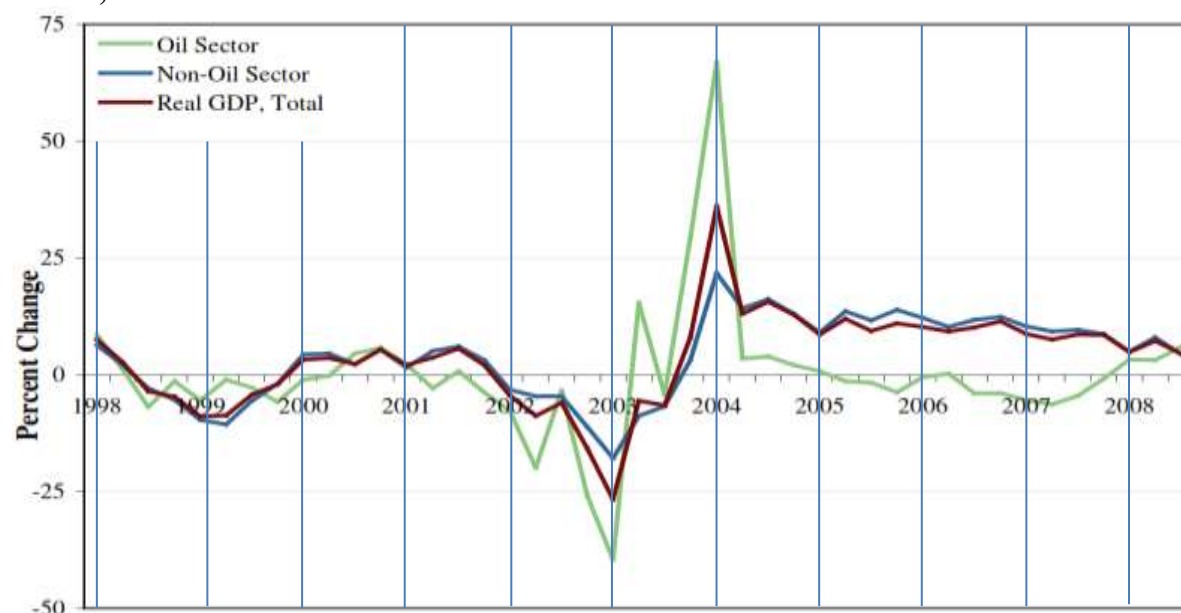
Source: Weisbrot and Johnston (2012, 10)

Figure 4.2.5. Venezuela: Public vs. Private Growth, 1999-2012 (Average Annual Percent)



Source: Venezuela's Central Bank, in Johnston and Kozameh (2013).

Figure 4.2.6. Venezuela: GDP Growth, Real Percent Change Year over Year, Quarterly, by Sector, 1998-2008



Source: Weisbrot, Ray, and Sandoval (2009, 9)

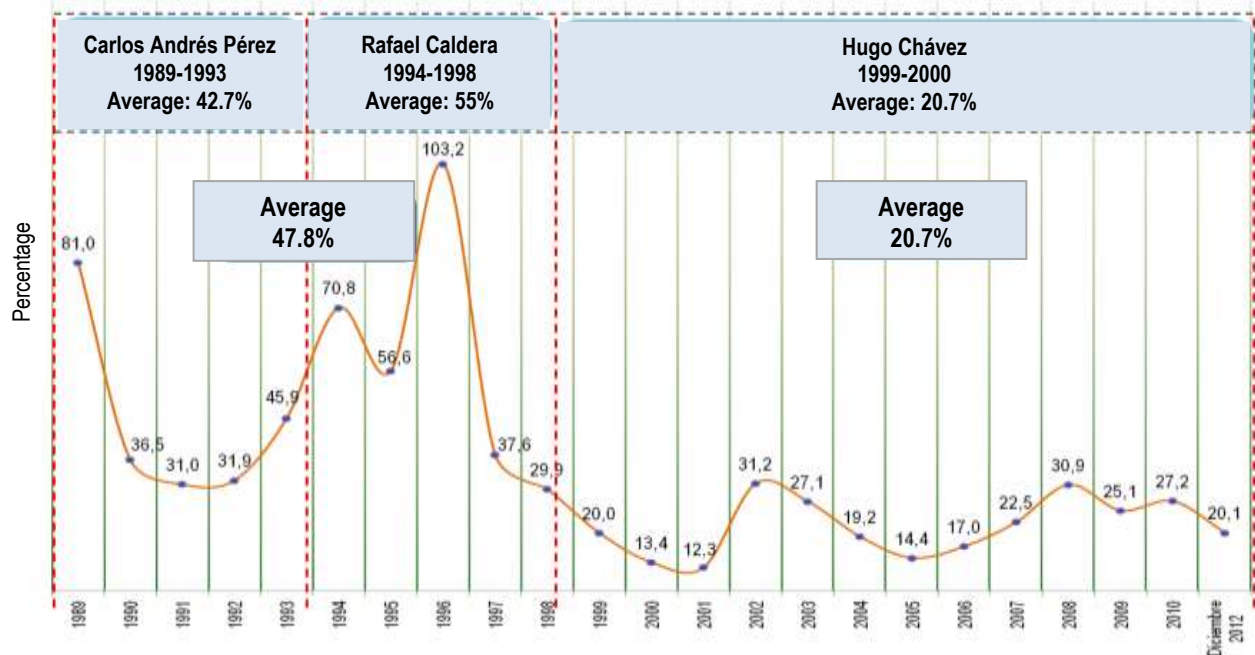
On other macroeconomic indicators, inflation fell from above 40 percent during the oil strike to a record low of 10.8 percent in 2006, growing to 39 percent again by the beginning of the economic crisis of 2008 (Figure 4.2.7).

Figure 4.2.7. Venezuela: Caracas CPI¹²¹, 2000-2012



Source: Weisbrot and Johnston (2012, 22)

Figure 4.2.8. Venezuela: Annual Inflation CPI, 1989-2012



Source: (INE 2013, 13)

¹²¹ The Consumer Price Index CPI is the average change in the prices of consumer goods and services in urban areas over a period of time. CPI is commonly used to measure inflation. *Core* CPI excludes food and energy, as these prices are relatively volatile, while *Headline* CPI includes all prices (BLS 2014).

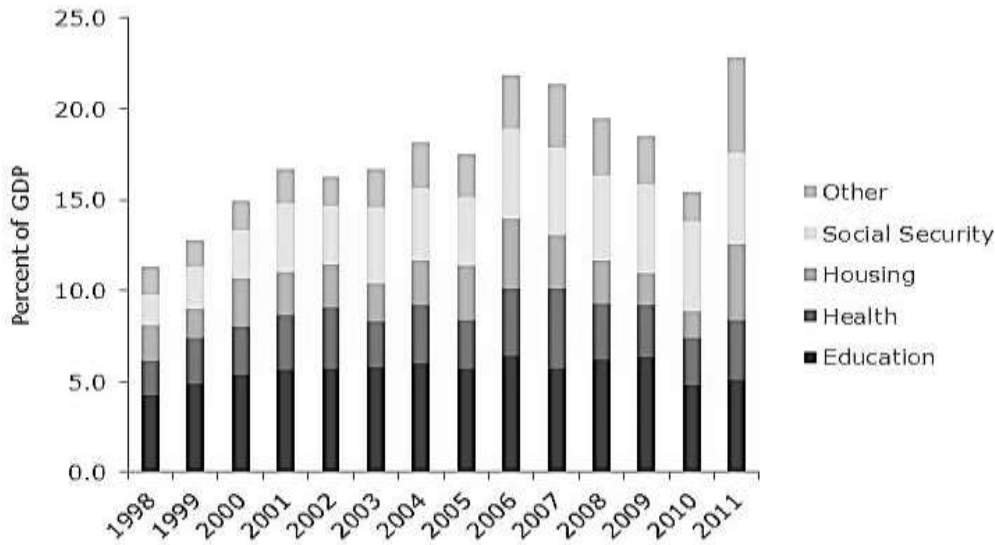
These numbers represent an annual average of 20.7 percent for the thirteen years of the Chávez administration, which can be compared to annual average inflation of 59.4 percent during the Caldera administration (1994-1998), 45.3 percent during the second administration of Carlos Andrés Pérez (1989-1993) and 22.7 percent in the Lusinchi administration (1984-1988) (Figure 4.2.8).

Despite the Venezuelan government decision to implement pro-cyclical measures to address the effects of the global recession, inflation decreased again to around 20 percent by the end of 2012. While the levels of inflation in this country are still moderately high according to what mainstream economists recommend, inflation control during the Chávez administration performed at least equal to or better than it did during the previous neoliberal presidencies, even though they had inflation reduction as one of their main economic goals. This performance is contrary to predictions by Chávez's critics (Corrales and Penfold-Becerra 2011, 61-9; Rodríguez 2008, 56-8) that the cost of the government's social programs was going to result in soaring inflation. In sum, the macroeconomic record of the Chávez administration is generally positive and proves wrong the negative predictions of his critics and most mainstream economists.

Venezuela's human development performance under Chávez

Fast economic growth does not necessarily mean that everyone fares better in the country. In fact, the neoliberal experience of the previous two decades in Venezuela and many other Latin American countries shows an increase in poverty and inequality that never actually decreased without state intervention. In the case of Venezuela, poverty and inequality reduction were among the most important targets of the Chávez administration. Real social spending as percent of GDP doubled from 11.3 percent in 1998 to 22.8 percent in 2011 (Figure 4.2.9).

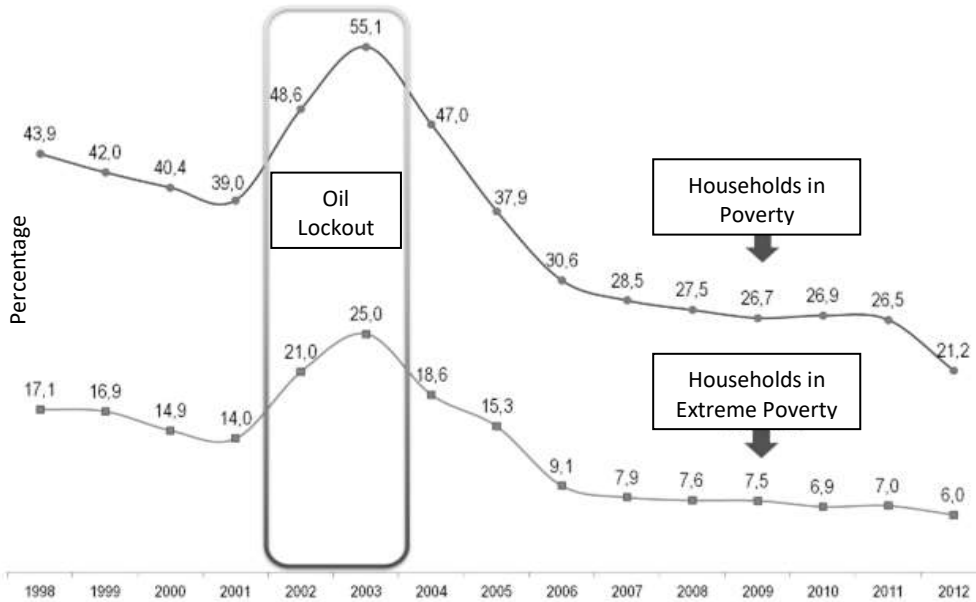
Figure 4.2.9. Venezuela: Social Spending as Percent of GDP, 1998-2011



Source: SISOV in Johnston and Kozameh (2013).

As a result of these poverty reduction strategies, from 1999 to 2012 extreme poverty declined from 16.9 to 6.0 percent, and household poverty fell from 42 percent to 21.2 percent, as seen in Figure 4.2.10.

Figure 4.2.10. Venezuela: Households in Poverty and Extreme Poverty, 1998-2012

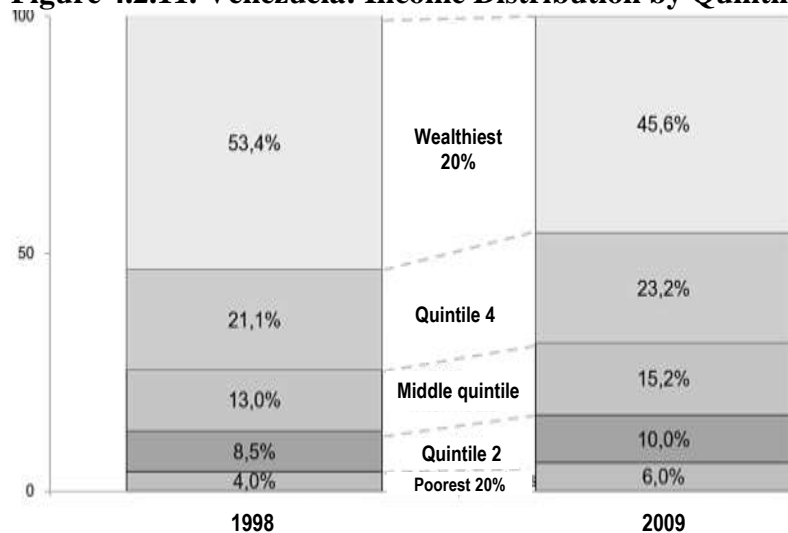


Source: INE (2013, 33)

In the period 2003 to 2008, when the country experienced its fastest growth, household poverty was cut by half from 55.1 percent to 27.5 percent, and household extreme poverty was reduced by 70 percent. In the first decade after Chávez took power in 1998 to 2008, household poverty was reduced by 38 percent while extreme poverty was cut by more than half (Weisbrot, Ray, and Sandoval 2009, 3).

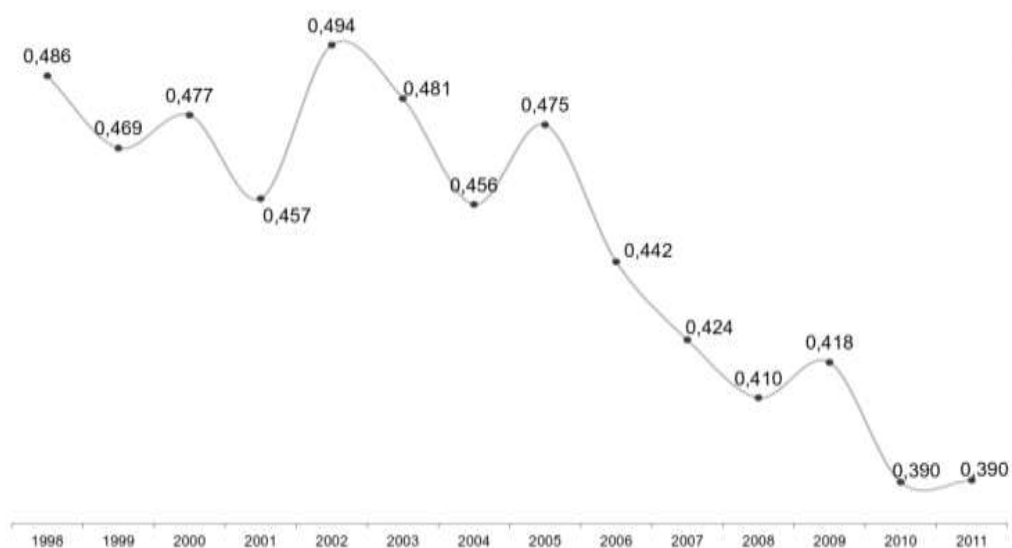
Inequality reduction was also a strong expectation of the people who voted for Chávez, due to a growing sense that the country’s elites were reaping the benefits of neoliberalism while most Venezuelans were worse off. In 1999 Venezuela was a country in which more than half of the population lived in poverty while the wealthiest 20 percent accumulated more than half of the income. While there are many ways to reduce overall inequality, in Venezuela the four lower quintiles saw an income increase during the first decade of the Chávez administration, which is a way to reduce inequality while also benefitting as many people as possible (Figure 4.2.11).

Figure 4.2.11. Venezuela: Income Distribution by Quintile, 1998-2009



Source: INE (2009, 18)

Figure 4.2.12. Venezuela: Gini Coefficient 1998-2011



Source: INE (2013, 42)

Table 4.2.4. Venezuela: Poverty, Extreme Poverty, and Inequality 1997-2011

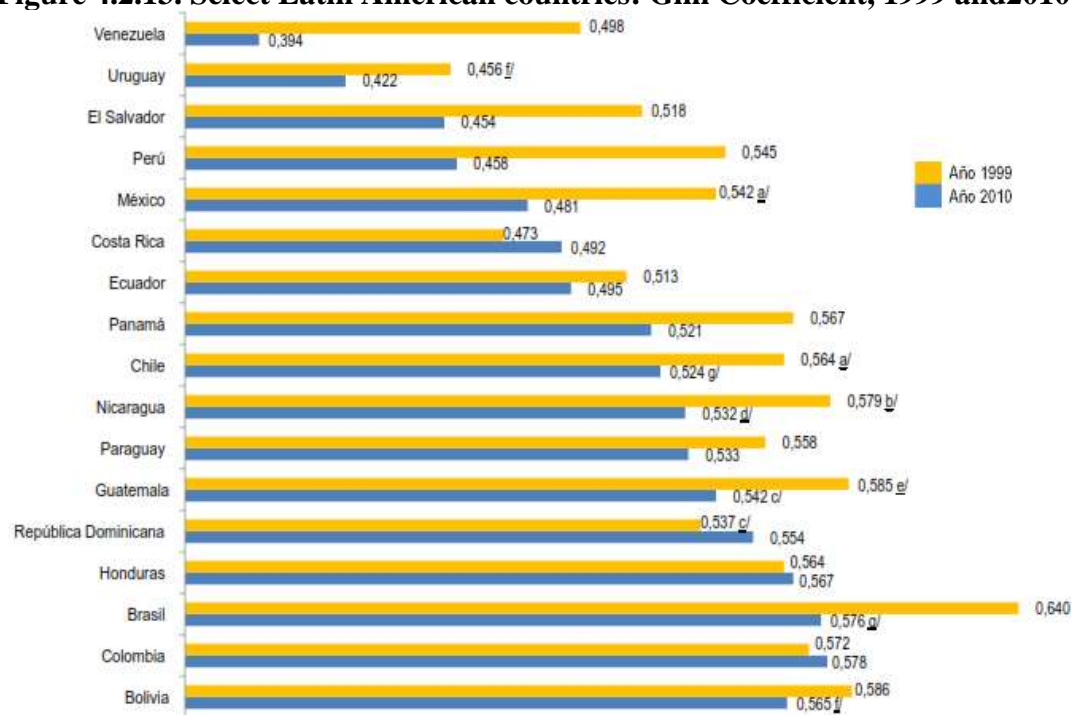
Year	Time Period	Households (% of total declared)		Population (% of total declared)		Inequality Gini Index
		Poverty	Extreme Poverty	Poverty	Extreme Poverty	
1997	1st Half	55.6	25.5	60.9	29.5	0.487
	2nd Half	48.1	19.3	54.5	23.4	
1998	1st Half	49.0	21.0	55.4	24.7	0.486
	2nd Half	43.9	17.1	50.4	20.3	
1999	1st Half	42.8	16.6	50.0	19.9	0.469
	2nd Half	42.0	16.9	48.7	20.1	
2000	1st Half	41.6	16.7	48.3	19.5	0.477
	2nd Half	40.4	14.9	46.3	18.0	
2001	1st Half	39.1	14.2	45.5	17.4	0.457
	2nd Half	39.0	14.0	45.4	16.9	
2002	1st Half	41.5	16.6	48.1	20.1	0.494
	2nd Half	48.6	21.0	55.4	25.0	
2003	1st Half	54.0	25.1	61.0	30.2	0.481
	2nd Half	55.1	25.0	62.1	29.8	
2004	1st Half	53.1	23.5	60.1	28.1	0.456
	2nd Half	47.0	18.6	53.9	22.5	
2005	1st Half	42.4	17.0	48.8	20.3	0.475
	2nd Half	37.9	15.3	43.7	17.8	
2006	1st Half	33.1	10.2	38.9	12.5	0.442
	2nd Half	30.6	9.1	36.3	11.1	
2007	1st Half	27.5	7.6	33.1	9.4	0.424
	2nd Half	28.5	7.9	33.6	9.6	
2008	1st Half	27.7	7.5	33.1	9.2	0.410
	2nd Half	27.5	7.6	32.6	9.2	
2009	1st Half	26.4	7.3	31.7	8.9	0.418
	2nd Half	26.7	7.5	31.8	8.8	
2010	1st Half	26.8	7.1	32.5	9.0	0.390
	2nd Half	26.9	6.9	32.5	8.6	
2011	1st Half	27.4	7.3	33.2	8.9	0.390
	2nd Half	26.7	7.0	31.9	8.6	

Source: Weisbrot and Johnston (2012, 27)

Inequality is one of the indicators that experienced significant overall reduction during the Chávez administration. Table 4.2.4 and Figure 4.2.12 show that, while the Gini index increased from 0.486 in 1998 to 0.494 in 2002 during the oil lockout, it decreased to 0.41 before the 2008 recession.

After a slight increase to 0.418 in 2009, it declined again to 0.39 in 2011. According to the Economic Commission for Latin America (CEPAL), the inequality reduction experienced in Venezuela from 1999 to 2010 was the largest in the region during that period (Figure 4.2.13). As shown in Figure 4.2.14, the speed of Venezuela’s inequality reduction after 2003 was significantly faster than that of countries like Brazil and Mexico

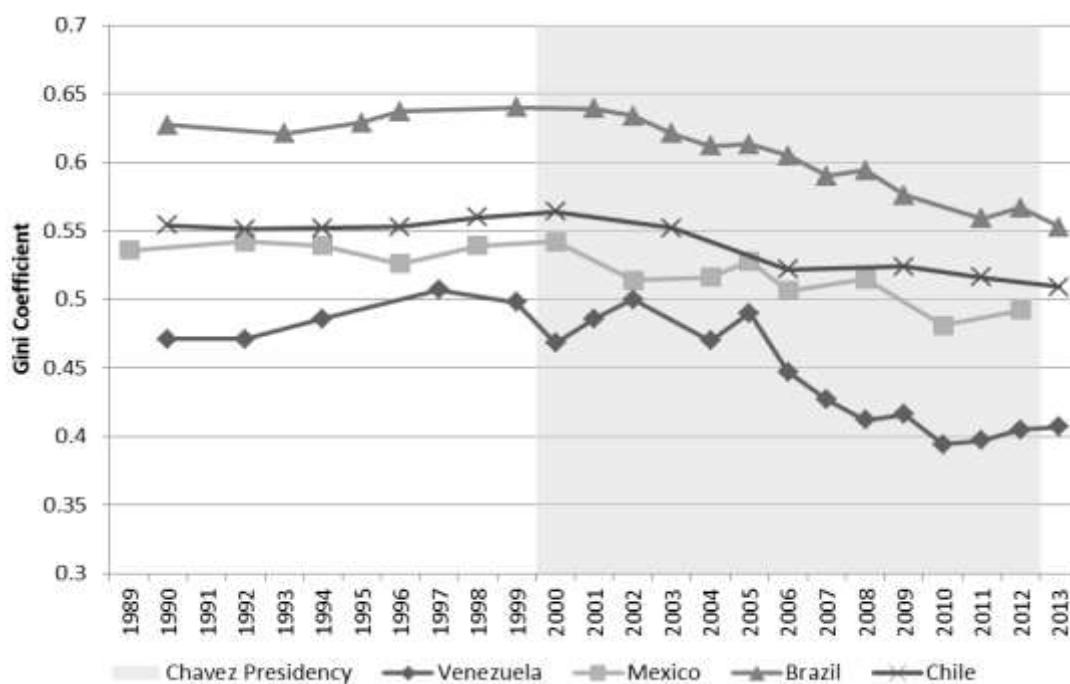
Figure 4.2.13. Select Latin American countries: Gini Coefficient, 1999 and 2010



^{a/}: Año 2000 ^{b/}: Año 2001 ^{c/}: Año 2002 ^{d/}: Año 2005 ^{e/}: Año 2006 ^{f/}: Año 2007 ^{g/}: Año 2009 Fuente: Comisión Económica para América Latina, CEPAL 2011

Source: Economic Commission for Latin America ECLAC 2011, in INE (2013, 43).

Figure 4.2.14. Venezuela and select countries: Gini Coefficient, 1989-2013

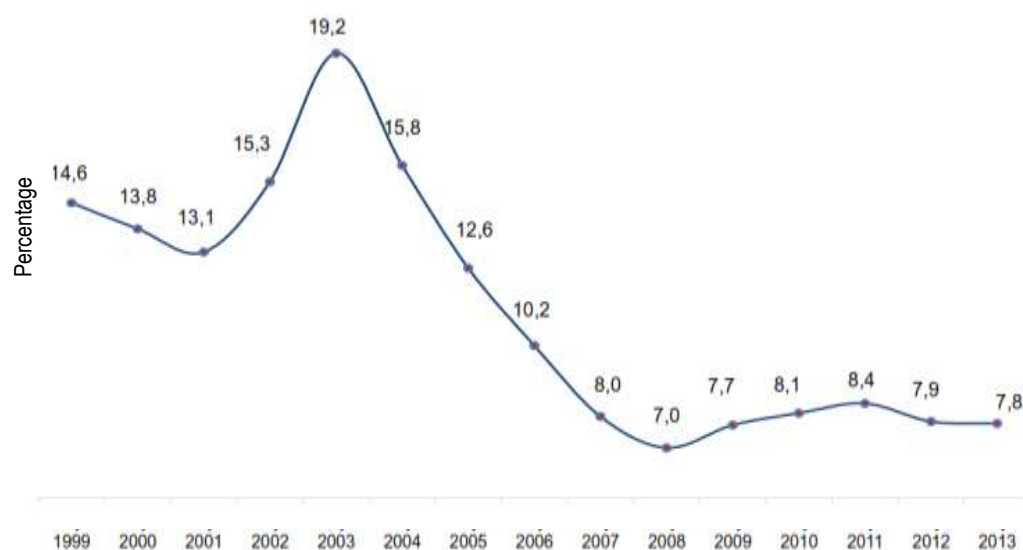


Source: Economic Commission for Latin America and the Caribbean ECLAC (2015).

As the Mexican case shows in the previous section of this chapter, poverty-reduction measures that are based primarily on cash transfers have the risk of replacing job creation strategies that can provide people with opportunities for self-sufficiency and can reduce poverty in a sustainable way. For this reason, an analysis of employment and unemployment figures helps to understand the long-term prospects of a poverty-reduction strategy, as well as the extent to which its implementation can develop a sense of dependency that can be used for political manipulation.

Unemployment fell by more than half during the first decade of the Chávez presidency, going from 14.6 percent in 1999 to 7.0 percent in 2008. This indicator experienced a small increase of less than two percentage points as a result of the 2008 recession, reaching 8.4 percent in 2011 to decrease again to 7.8 percent by 2013 (Figure 4.2.15).

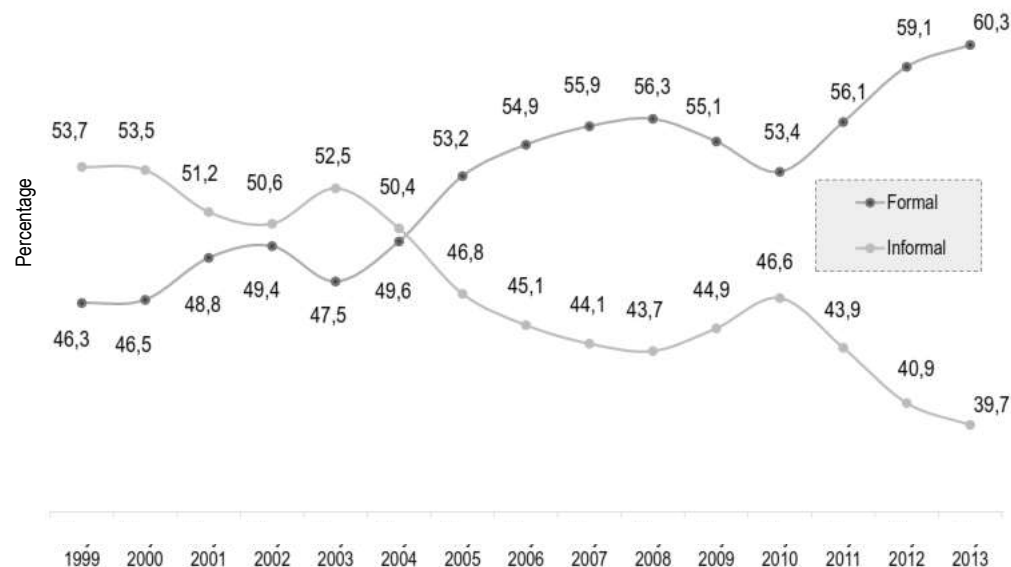
Figure 4.2.15. Venezuela: Unemployment 1999-2013



Source: INE (2013, 16)

The number of people employed in the formal vs. the informal sectors is also important in order to understand the health and sustainability of an economy. Jobs in the formal sector are more stable than those in the informal sector and often come with benefits, which increases the employees' capacity to reinvest their wage into the economy and to depend less upon governmental support. This stability is significantly less for those in the informal economy, who need to save more in preparation for likely future unemployment, and who are often underpaid in relation to local labor standards. Up to 2004, most of the employment in Venezuela was taking place in the informal sector, following a trend seen in much of Latin America during the implementation of structural adjustment programs. Nonetheless, after 2004, employment in the formal sector became higher than that in the informal one, reaching a 60/40 ratio in 2013 (Figure 4.2.16)

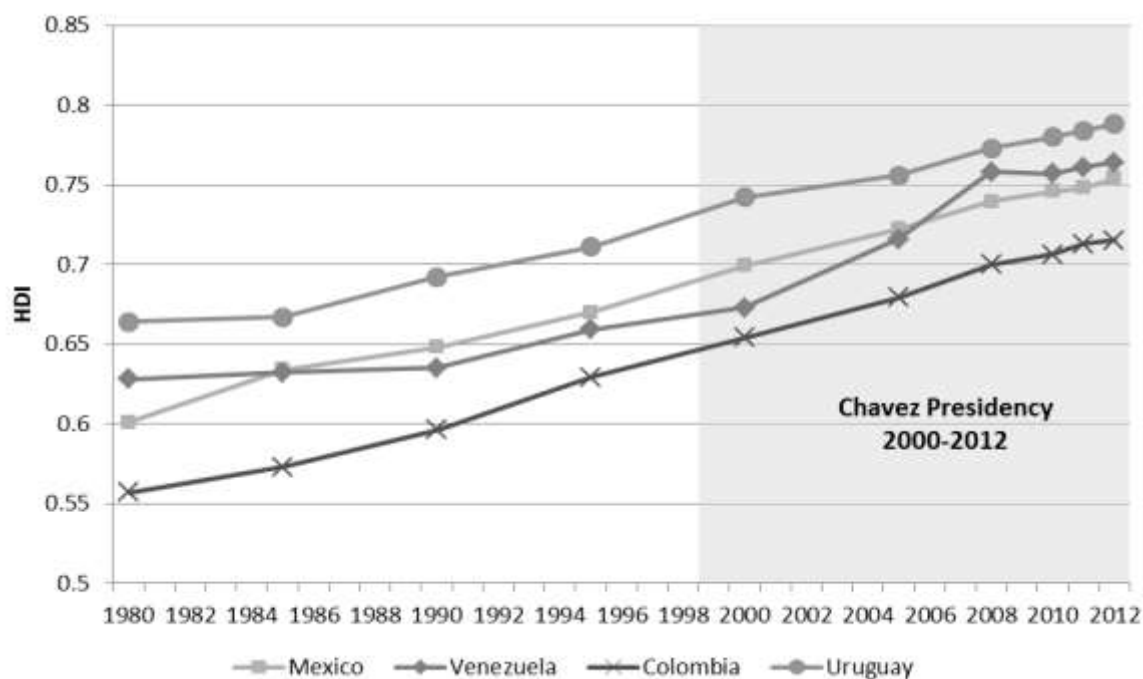
Figure 4.2.16. Venezuela: Employment in Formal and Informal Sectors 1999-2013



Source: INE (2013, 17)

Beyond economic growth and poverty reduction, human development includes other factors that may or may not facilitate people’s attainment or exercise of capabilities. Among such additional factors the most relevant are health and education. Venezuela’s Human Development Index (HDI), a composite of health, education and income indicators, shows a faster increase during the first eight years of the Chávez administration than during the previous two decades, despite having faced a coup and oil strike that destabilized the economy in 2002 and 2003. In fact, the improvements in HDI from 2000 to 2008 allowed Venezuela to recover the ground it lost from 1980 to 2000 in comparison to the HDI evolution of other Latin American countries (Figure 4.2.17 and Table 4.2.5).

Figure 4.2.17. Venezuela and other Latin America: HDI Evolution 1980-2012



Source: UNDP (2015b)

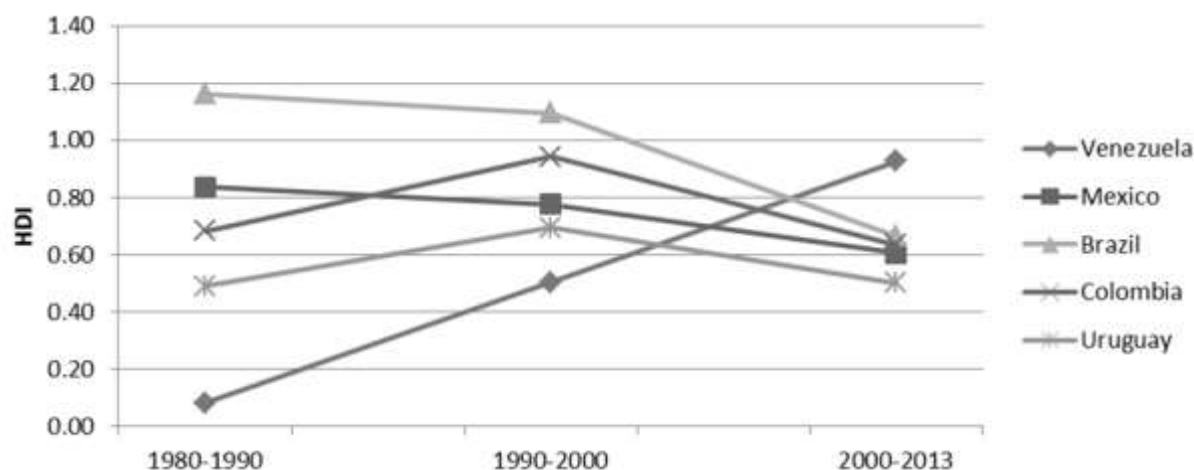
Table 4.2.5. Venezuela and other Latin America: HDI Evolution 1980-2012.

Country	1980	1985	1990	1995	2000	2005	2008	2010	2011	2012
Mexico	0.601	0.634	0.648	0.67	0.699	0.722	0.739	0.746	0.748	0.754
Venezuela	0.628	0.632	0.635	0.659	0.673	0.716	0.758	0.757	0.761	0.764
Colombia	0.557	0.573	0.596	0.629	0.654	0.679	0.700	0.706	0.713	0.715
Uruguay	0.664	0.667	0.692	0.711	0.742	0.756	0.773	0.78	0.784	0.788

Source: UNDP (2014c)

Moreover, while the average annual HDI increase of other comparable Latin American economies like Mexico, Brazil, Colombia and Uruguay slowed from the 1990s to the period 2000-2013, Venezuela's continued to rise to almost the double during the same period (Figure 4.2.18 and Table 4.2.6).

Figure 4.2.18. Venezuela and other Latin America: Average Annual HDI Increase, 1980-2013



Source: UNDP (2014c)

Table 4.2.6. Venezuela and other Latin America: Average Annual HDI Increase, 1980-2013

Country	1980-1990	1990-2000	2000-2013
Uruguay	0.49	0.69	0.50
Venezuela	0.08	0.50	0.93
Mexico	0.84	0.78	0.60
Colombia	0.68	0.94	0.63

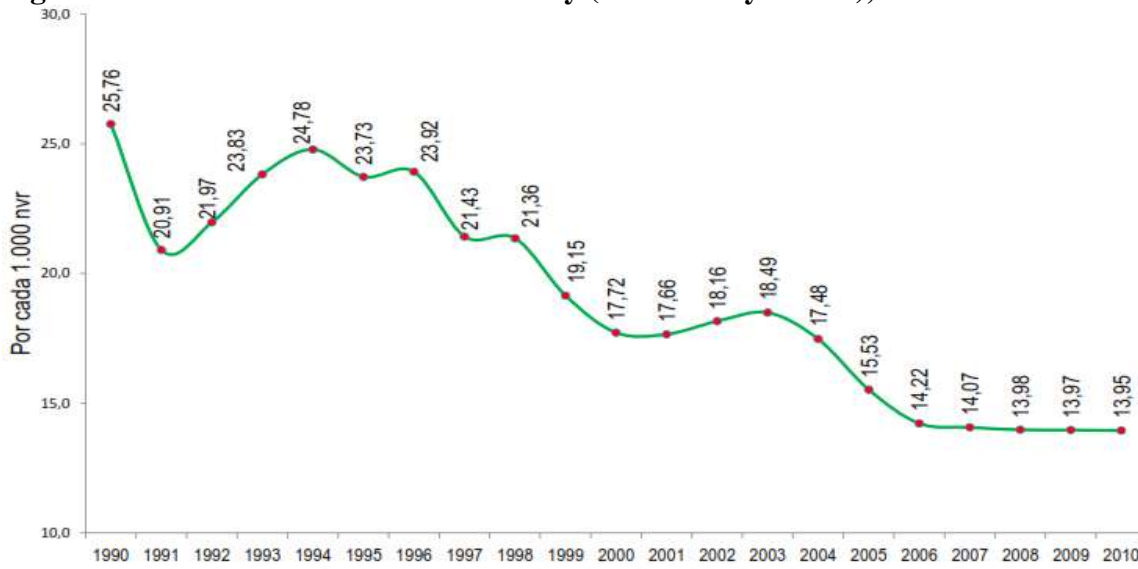
Source: UNDP (2014c)

This is a significant number, as differences in the pace of HDI growth in similar countries demonstrate the effect that policy choices, as opposed to just economic growth, can have in improving the wellbeing of a country's population¹²².

Regarding healthcare, various indicators have improved significantly during the Chávez administration, largely as result of Misión Barrio Adentro. One of those indicators is the rate of child mortality, which continued the decrease experienced during the 1990s, and dropped from 21.36 per thousand in 1998 to around fourteen per thousand in 2006, where it remained stable until 2010 (Figure 4.2.19).

¹²² A classic example of this is Cuba, which despite having a low GDP is the second Latin American country with the highest HDI and one of only three Latin American countries ranked by the UNDP as having "very high human development" (UNDP 2015a).

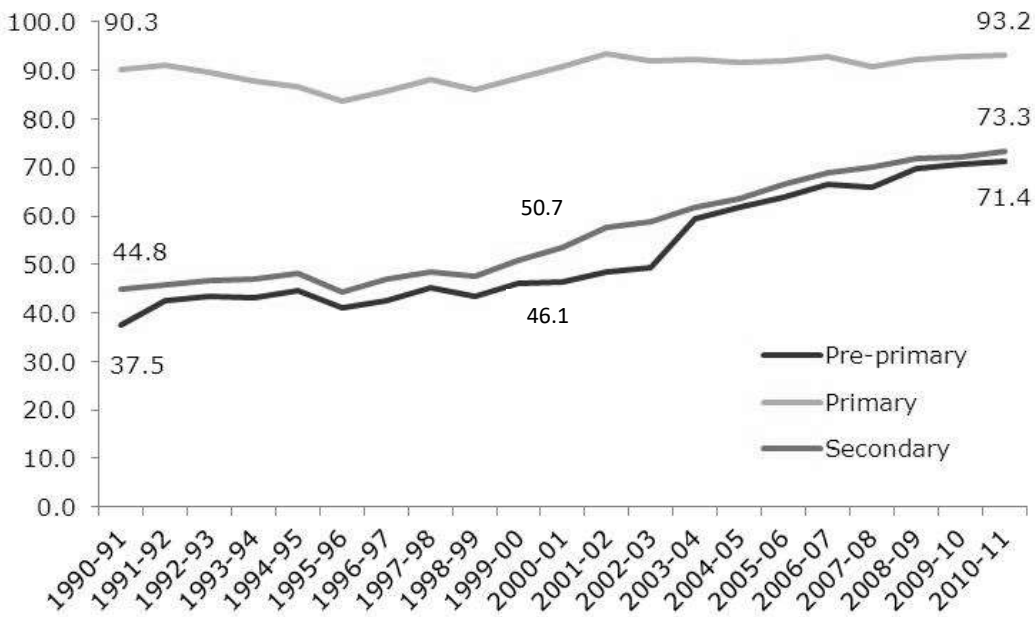
Figure 4.2.19. Venezuela: Infant Mortality (under one year old), 1990-2010



Source: INE (2013, 50)

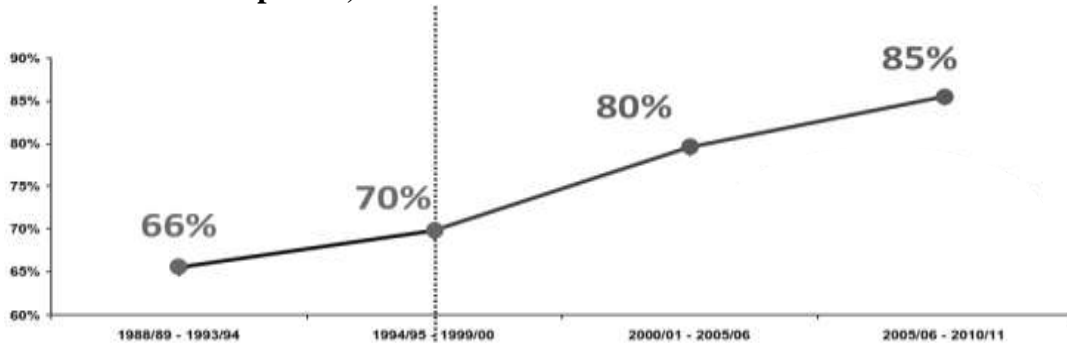
In the education arena there was significant investment under Misión Ribas, which helped middle-school dropouts to graduate. This program had 600,000 students enrolled in its first year, a number that would eventually reach 1.4 million. Similarly, the percentage of young children enrolled in kindergarten increased from 46.1 percent of the eligible population in the school year 1999-2000 (INE 2013, 52) to 71.4 percent in the school year 2010-2011 (Figure 4.2.20). In addition, the number of students who graduated from elementary school within the normal period grew from 70 percent at the beginning of the Chávez administration to 85 percent by 2011 (Figure 4.2.21). Misión Sucre provided scholarships to low-income students, invested in hiring and training of teachers, and promoted construction and renovation of schools. As a result of these program, enrollment in secondary, education increased by almost a half during the first decade of the Chávez government, from 50.7 percent to 73.3 percent of individuals in the appropriate age group (Figure 4.2.20).

Figure 4.2.20. Venezuela: Net Enrollment in Education, 1990-91 to 2010-11



Source: Johnston and Kozameh (2013).

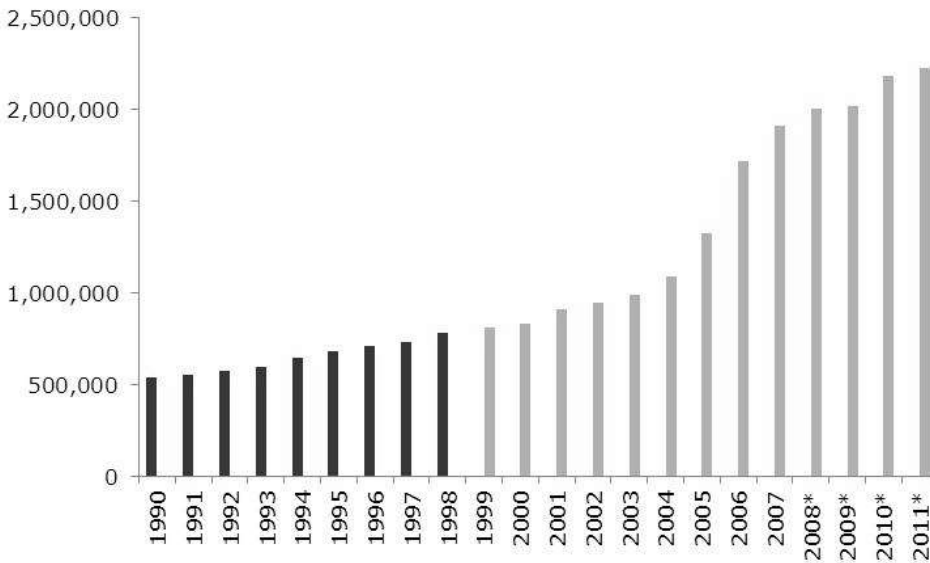
Figure 4.2.21. Venezuela: Percentage of Students who graduate from Elementary School within the normal period, 1988-2011



Source: INE (2013, 53)

The impact of these programs in improving education is particularly notable in higher education, where enrollment increased and the number of students who graduated from school more than doubled during the Chávez administration (Figure 4.2.22).

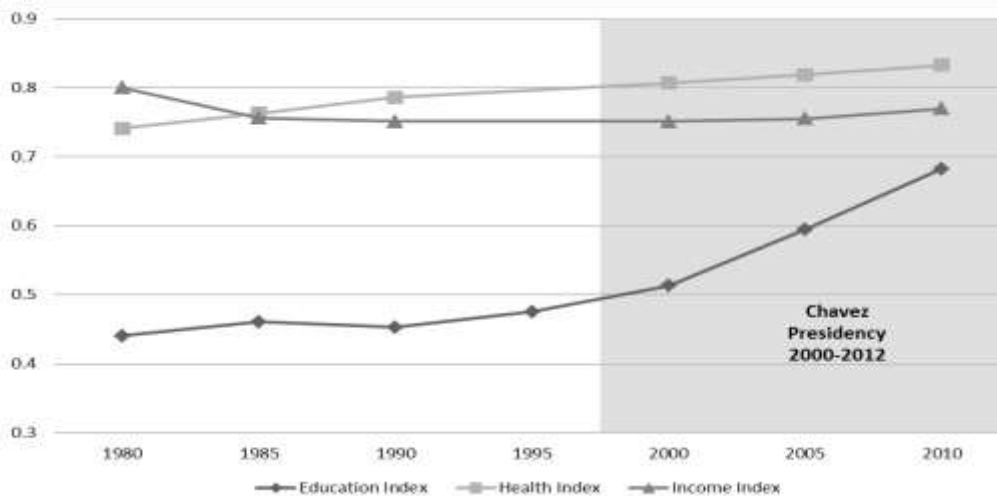
Figure 4.2.22. Venezuela: Graduates from Higher Education, 1990-2011



Source: Johnston and Kozameh (2013).

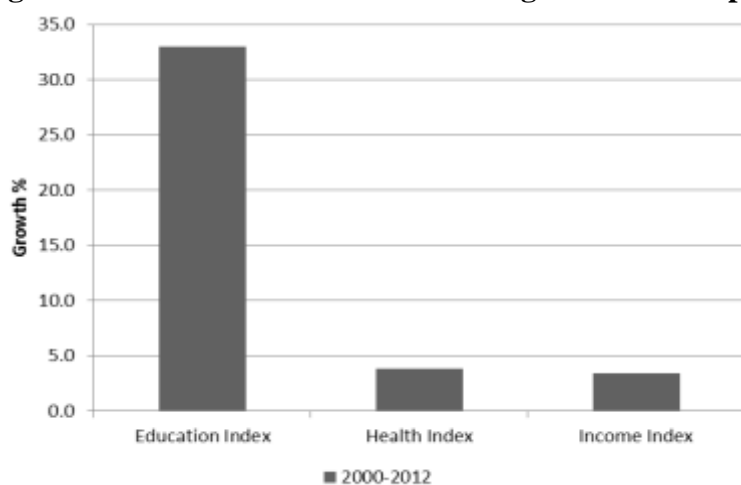
As described before, all the components used to measure human development, namely income, health, and education, improved between 2000 and 2012. Nonetheless, it was the Education Index that experienced the fastest growth (Figure 4.2.23) and therefore was the one that contributed the most (Figure 4.2.24) to the country’s fast HDI increase shown in Figure 4.2.17.

Figure 4.2.23. Venezuela: Evolution of HDI’s Components, 1980-2010



Source: UNDP (2014b).

Figure 4.2.24. Venezuela: Percent Change in HDI Components, 2000-2013



Source: UNDP (2014b).

The significance of this advancement in education reflects in part the poor state of this field when Chávez arrived to power. The Venezuelan investment in human capital has not attracted much attention from observers of this country, but it deserves attention given that education can be an important factor in determining a country's prospects for future development.

Conclusion

There is no doubt that Hugo Chávez was fortunate to govern during a period in which oil prices soared, but claims that the Venezuelan economy was exclusively dependent on oil production are overstated. At its peak in 2005, oil production represented 38.5 percent of the country's GDP, but for most of the period of analysis, it remained at under 20 percent of the GDP (see Table 4.2.1). In addition, statistical evidence presented here demonstrates that measures implemented during his administration had the quantitative impact of strengthening economic growth while also reducing poverty and inequality. And, it is clear that the private

sector also benefitted from larger profits during the Chavez years than in the two previous decades, despite being among the most fervent sectors in opposition to the Chávez administration mostly due to fears of governmental challenges to private property.

Important indicators of human development also improved significantly during this period, such as literacy rates, school enrollment, and child mortality rates. These elements, and a drastic reduction in inequality, also resulted in important gains in human development. All this shows that the social and economic policies implemented during the Chávez administration, did not result in chaos as his detractors continuously predicted. Nonetheless, important elements of his macroeconomic policies rendered the economy vulnerable in ways that aggravated the economic crisis faced by his successor Nicolás Maduro, or at least complicated its capacity to respond to it. An analysis of post-Chávez Venezuela is presented in Chapter 9.

In sum, Chávez's policies produced similar quantitative results and in some instances better ones than in countries that continued the implementation of neoliberal economics, such as Mexico. However, the Venezuelan government sought more than quantitative achievements, aiming at also improving the quality of democracy through participatory mechanisms. Chapter 5 analyzes the extent to which these goals were achieved.

Conclusion. Mexico and Venezuela: Different Development Paradigms, Converging Social Indicators.

The post-political transition governments in Mexico and Venezuela at the turn of the millennium took different social and economic policy paths. As described in Chapter 5, Mexico implemented policies closer to the prevailing neoliberal paradigm, and Venezuela challenged this

paradigm with a redistributive “21st Century Socialism.” Nonetheless, despite the difference in policy approaches, the two countries converged in the relative quantitative success they achieved both at the macroeconomic level, as well as in improving their human development.

Mexico’s and Venezuela’s convergence in macroeconomic and human development success is already a finding that may be surprising to some, given the negative outlook on the Chávez presidency often found in the media and some scholarship. But, as discussed in Chapter 5, the paths taken by these countries were not different only in terms of their allegiance or not to neoliberal prescriptions. More importantly, for the focus of this project, Mexico and Venezuela implemented their social and economic policies under different models of state-society relations. While Mexico continued the use of clientelist practices even after the PRI was driven out of power, Venezuela dismantled the core of the *Punto Fijo* clientelist system and instead used participatory mechanisms to implement its policies. Chapter 5 reviews survey data to analyze the extent to which such different approaches resulted in divergent public perception and attitudes towards democracy in each of these countries.

5. How Do Different Policy Approaches Affect Social Capital and Democratic Support? Diverging Results from Mexico and Venezuela

Introduction

Chapter 3 describes how the post-transition government of the PAN in Mexico continued the PRI's use of clientelist practices, while Hugo Chávez in Venezuela dismantled the clientelist system of the Punto Fijo pact and implemented participatory practices as part of social and economic policy. As discussed in Chapter 4, despite these different approaches to economic and social policy, Mexico and Venezuela converged in the relative success these countries achieved in macroeconomic and human development indicators, to the surprise of skeptics of the Venezuelan model. However, as this chapter demonstrates with the use of individual survey data, such different policy models diverged in the impact they had in the population's social capital and democratic values. The disenchantment that people felt about the continuation of clientelism in Mexico negatively impacted the indicators associated with social capital and democratic values in that country. On the contrary, the incorporation of traditionally excluded populations as active participants in the implementation of social and economic policy in Venezuela resulted in some of the highest indicators associated with social capital and democratic values in the region during the analyzed period.

The survey data used for this project are retrieved from the Latinobarómetro Corporation database, which contains information from annual surveys from 1995 to the present, with the exception of 1999, 2012 and 2014. This NGO has working partnerships with the United Nations Development Programme (UNDP) and the Inter-American Development Fund (IDB), both of

which use Latinobarómetro data on regular basis, which speaks for the database's credibility. Latinobarómetro subcontracts reputable polling organizations in each country.¹²³ For example, the director of Datanalysis, one of the subcontracted polling organizations in Venezuela, has often expressed criticisms towards both the Chávez and the Maduro administrations, while also acknowledging that he has not felt any pressure from the government that limited his organization's work (Sonneland 2015). This can be interpreted as a sign of independence, supporting the credibility of this organization's polls.

Typically, the Latinobarómetro surveys were applied in the last trimester of the sampled year. Not all the questions have been asked in all the surveyed years, which constrains the possibility of time-series analysis for some of them. The database provides data for most years for the core questions used in this study. It is important to note that there are some questions used here for which time-series analysis is limited to shorter or broken time periods.

As described in Chapter 3, the Venezuelan government made participatory democracy a priority after Hugo Chávez was inaugurated on February 2, 1999. However, most significant budget decisions for that year had been made by the previous president, so that it is reasonable to assume that the influence of Chavista policy in public perception would not have been reflected in Latinobarómetro's results until the 2000 series. Hugo Chávez died on March 5, 2013, too early in that year to assume that public perception in that year's surveys can be attributed only to his policies. For this reason, this study considers 2000 to 2012¹²⁴ as the period of analysis for Venezuela's data. Given that the Latinobarómetro survey did not publish results for 1999, 1998 is considered the baseline for this project.

¹²³ Technical Records of the studies and Methodology Reports are available at: <http://www.latinobarometro.org/latContents.jsp>

¹²⁴ In this study, 2012 is the final year in the period of analysis for both Venezuela and Mexico. However, the Latinobarómetro did not issue a report that year, so the last data sample used is 2011.

In Mexico, Vicente Fox was elected on July 2, 2000 and inaugurated on September 1st of that same year, meaning that the influence of *panista* policy in public perception was not reflected in Latinobarómetro's results until the 2001 series. The subsequent PAN administration of Felipe Calderón ended on December 1st, 2012. For this reason, this study considers 2001 to 2012 as the period of analysis for Mexico's survey data, taking 2000 as the baseline.

At the time of completing this study, the Latinobarómetro series for 2013 and 2015 are available. The data for these years are not included in the information presented in this chapter in order not to distract the reader from focusing on the selected period of analysis. However, given the economic crisis experienced in Venezuela shortly after the death of Hugo Chávez, some of the qualitative information for those years is discussed in chapter 7 'Venezuela after Chávez', featuring some significant trend changes in the data presented in this chapter, and how such changes affect the interpretation of the data discussed in this chapter.

Recapitulation of Hypotheses

As described in Chapter 3, this project’s theoretical model can be synthesized in the way described in Tables 5.1 and 5.2.

Table 5.1. Theoretical Model, Part 1: Impact of State-Promoted Participation on Social Capital and Democratic Values.

State-Promoted Participation promotes these actions...	...which through these Causal Mechanisms...	...lead to these components of...
<ul style="list-style-type: none"> Establishes new collaborative relationships among people Develops in people experience of collaboration Promotes collaborative work towards individual as well as community goals. 	<ul style="list-style-type: none"> Perception that people known through programs can be trusted Observation that there are program expectations for large numbers of people to behave in the same trusting way as the people one knows through the program. Observation that it is possible to achieve important goals collectively 	<p>Social Capital</p> <ul style="list-style-type: none"> Increased generalized trust Increased and stronger networks Increased motivation to achieve collective goals
<ul style="list-style-type: none"> Provides people with an experience of collaboration with government on issues that affect them 	<ul style="list-style-type: none"> Perception that government agents personally known through the program can be trusted Perception that not-personally known government agents operating the program can be trusted Perception that government agents can be trusted in public at-large familiar with stories of beneficiaries Observation that government responds to needs of a traditionally marginalized portion of the population as result of significant voter participation 	<p>Democracy</p> <ul style="list-style-type: none"> Increased trust in Government Increased trust in Democracy Increased satisfaction with Democracy Increased support for Democracy Increased Political Participation

Table 5.2. Theoretical Model, Part 2: Impact of Clientelism on Social Capital and Democratic Values.

Clientelism promotes these actions...	...which through these Causal Mechanismslead to these components of...
<ul style="list-style-type: none"> Establishes competitive relationships among people within same communities Develops in people experience of competition Promotes competitive work towards individual goals, not community goals. 	<ul style="list-style-type: none"> Perception that people known through programs cannot be trusted Observation that there are program contingencies that create incentives for large numbers of people to behave in the same untrusting way as the people one knows through the program. Observation that only possible way to achieve goals is by looking for your own. 	<p>Social Capital</p> <ul style="list-style-type: none"> Decreased social trust Decreased and weaker networks Increased motivation to seek individual goals, not collective goals
<ul style="list-style-type: none"> Provides people with an experience of manipulation by the government on issues that affect them 	<ul style="list-style-type: none"> Perception in beneficiaries that government agents personally known through the program cannot be trusted Perception in beneficiaries that not-personally known government agents operating the program cannot be trusted Perception that government agents cannot be trusted in public at-large familiar with stories of beneficiaries Observation that government does not respond to needs of traditionally marginalized portion of voters even when they were asked to and voted for the party in power 	<p>Democracy</p> <ul style="list-style-type: none"> Decreased trust in Government Decreased trust in Democracy Decreased satisfaction with Democracy Decreased support for Democracy Decreased Political Participation

From this model, two basic working hypotheses are developed:

1. *“State-promoted participation strengthens social capital and clientelism hinders it”*
2. *“State-promoted participation strengthens democratic values and clientelism hinders them”*

Chapter 1 discussed theoretically the causal mechanisms through which these two hypotheses hold, while Chapter 3 described narratively the way these processes took place in both Mexico and Venezuela, with clientelism apparently hindering social capital and democratic values in the former, and state-promoted participation apparently strengthening social capital and democratic values in the former. Below is a presentation of qualitative data assessing whether the impact described narratively is actually measurable, which would provide stronger evidence in support of this project's hypotheses.

5.1. STATE-PROMOTED PARTICIPATION STRENGTHENS SOCIAL CAPITAL AND CLIENTELISM HINDERS IT: COMPARISON OF VENEZUELA'S AND MEXICO'S VARIATIONS OF SOCIAL CAPITAL COMPONENTS.

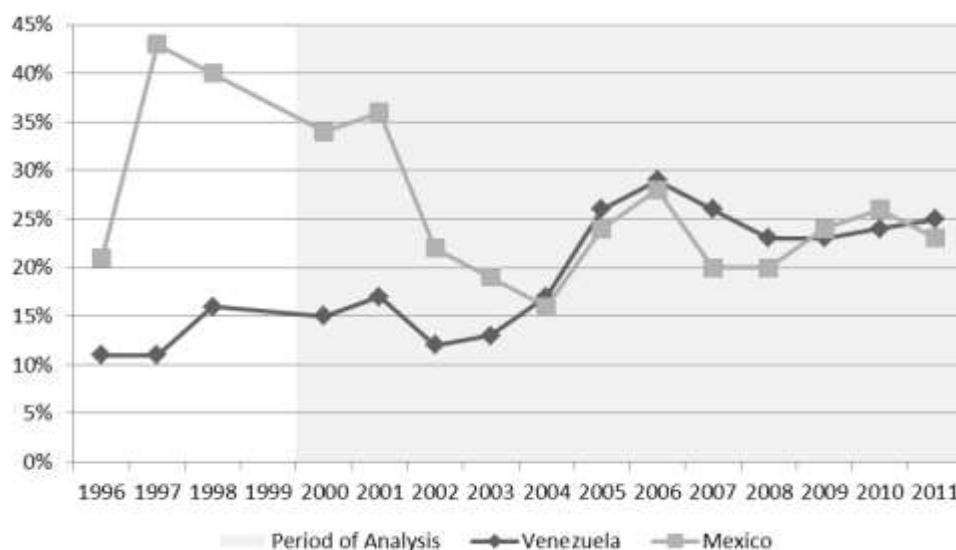
In order to analyze social capital it is critical to understand how and why it changes through time. For this, as described in Chapter 3 Research Design, and following on Grootaert et al's proposal for measuring social capital (2004), this study uses a definition that looks at variations in the following categories: a) trust; b) groups and networks; c) collective action; d) social inclusion; and e) empowerment and political action. Given that the survey's question asks if people belong to *and* participate in groups, the treatment in this analysis will assess together the social capital components b) groups and networks, and c) collective action. In addition, as the data in e) empowerment and political action also represent a component of the assessment on democratic values that takes place in section 5.2, the responses to e) will be analyzed as part of section 5.2.

This section reviews the evolution of indicators in these components of social capital for both Mexico and Venezuela during the period of analysis, occasionally showing measures outside of this period for reference or comparison.

A. Trust: Generalized and on Government

Mexico and Venezuela clearly diverged during the period of analysis in matters of generalized trust. While Mexico showed an average decline in this indicator during the PAN presidencies, Venezuela experienced an average increase during the Chávez administration (Figures 5.1.1 and 5.1.2). The variation of trust in Mexico is particularly noteworthy as this indicator had dramatically improved in 1997 and 1998, years when promising aspects of electoral and political reform were taking place in the country. On the contrary, Venezuela's measure at close to ten percent in 1996 and 1997 (Figure 5.1.1) located it in third place among the countries in the region with lower generalized trust at the time.

Figure 5.1.1. Mexico and Venezuela: Evolution of generalized trust, “It is possible to trust most people” (%), 1996-2011.



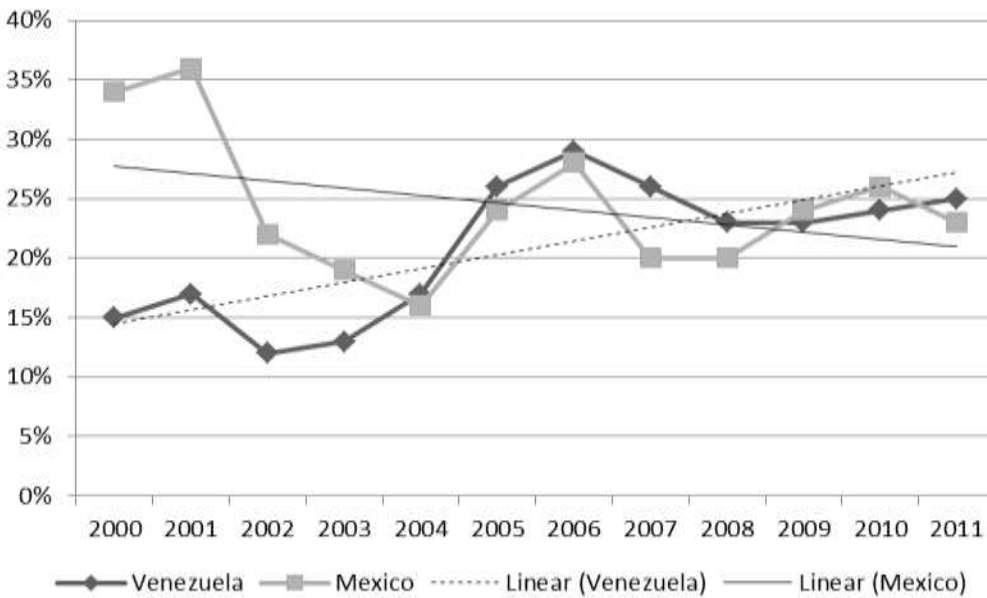
Source: Latinobarómetro (2016), Indicator A60112. Data in Table 5.1.1.

Mexico experienced a sharp decline in generalized trust from its highest point of 36 percent in 2001, to its lowest measure at 16 percent in 2004. After that, a new bounce brought up the indicator up to 28 percent in 2006. The period 2004-2006 featured GDP growth of between 4 and 5 percent,¹²⁵ the highest during the Fox administration, which could have had an impact in the hopeful perception Mexicans had at the time. 2006 was also the year of the first post-political transition presidential election and one that many Mexicans hoped would consolidate the country's electoral democracy. As described in Chapter 6, these expectations were not met and on the contrary, the post-electoral conflict caused broad disenchantment with the political system. This, plus the extensive violence caused by the war on drugs president Calderón implemented seeking to legitimize his presidency, possibly explains the decline to twenty percent in generalized trust the country experienced in 2007 and 2008. In 2010 the indicator rose up again to 26 percent, but it declined again in 2011 to 23 percent. Thus, the overall trend of generalized trust in Mexico during the PAN presidencies was a declining one, as Figure 5.1.2 shows.

Venezuela during the Chávez era experienced a decline from around 16 percent to a low point of 12 percent during 2002, the year of the failed coup and the oil strike that significantly affected the economy. After this, generalized trust in Venezuela featured a continuous increase until reaching its highest point of 29 percent in 2006, followed by a six percent decline in 2008 and 2009, around which it remained until 2011. Therefore, contrary to the Mexican case, the overall trend of generalized trust in Venezuela during the Chávez presidency was an increasing one, as shown in Figure 5.1.2.

¹²⁵ For further economic data on this period, see Chapter 6.

Figure 5.1.2. Mexico and Venezuela: It is possible to trust most people (%), 2000-2011.

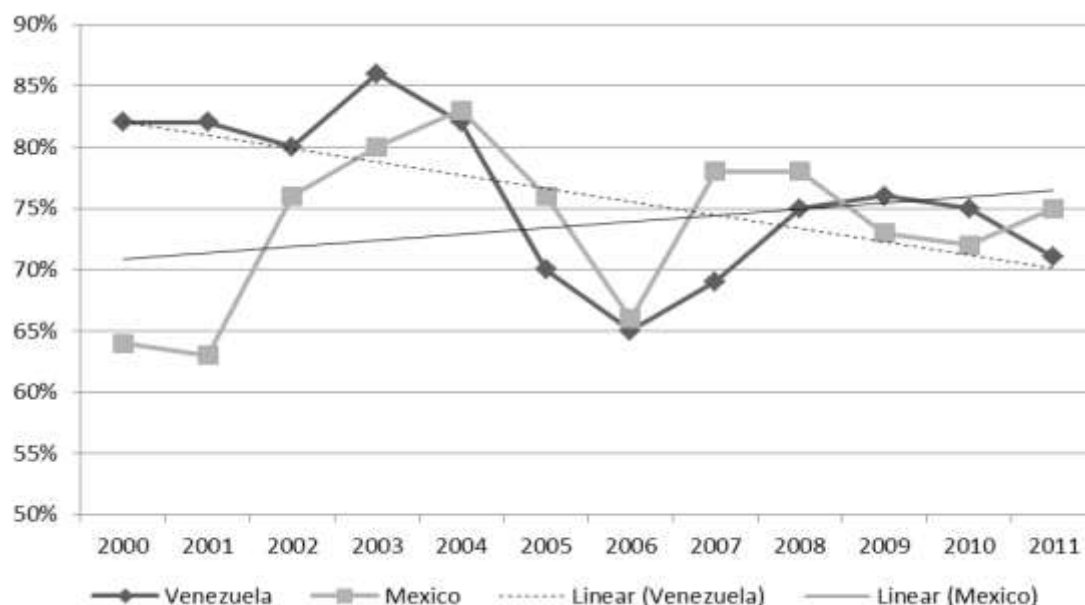


Source: Latinobarómetro (2016), Indicator A60112. Data in Table 5.1.1.

Changes in distrust patterns in these two countries are also significant, as Mexico experienced an increasing trend in people who think that “you can never be too careful in dealing with others”, while in Venezuela the percentage of the population agreeing with that statement trended in a declining form during the Chávez administration (Figure 5.1.3).

As expected, the pattern of increasing distrust in Mexico is a negative reflection of its pattern of decreasing trust. Starting at a low 64 percent in 2000, this indicator peaked at 83 percent in 2004 and then reached its lowest point during the PAN administrations in 2006 at 66 percent. After this, it peaked again around 78 percent in 2007-2008 and declined to 75 percent or lower for the following years (Figure 5.1.3).

Figure 5.1.3. Mexico and Venezuela: You can never be too careful in dealing with others (%), 2000-2011.



Source: Latinobarómetro (2016), Indicator A60112. Data in Table 5.1.1.

Similarly, generalized distrust declined in Venezuela, peaking in 2003 at 86 percent, declining in 2006 to 65 percent, and stabilizing around 75 percent from 2008 to 2010, declining to 71 percent in 2011 (Figure 5.1.3).

Table 5.1.1. Mexico and Venezuela: Generalized trust and distrust (%), 1996-2011

Mexico															
	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
You can trust most people	21	43	40	34	36	22	19	16	24	28	20	20	24	26	23
You can never be too careful at dealing with others	76	54	58	64	63	76	80	83	76	66	78	78	73	72	75
DK/NA	3	3	2	2	1	2	1	1	0	7	2	2	3	2	2
Venezuela															
	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
You can trust most people	11	11	16	15	17	12	13	17	26	29	26	23	23	24	25
You can never be too careful at dealing with others	86	87	83	82	82	80	86	82	70	65	69	75	76	75	71
DK/NA	3	2	1	3	2	8	1	1	4	6	6	2	1	2	3

Source: Latinobarómetro (2016), Indicator A60112.

Venezuela’s increase in public trust is significant especially considering that this country has experienced high levels of crime during the period analyzed here. Therefore, a relevant question is: how important is the role of crime in generalized trust in Venezuela? As seen in Figure 5.1.4, increases in public concern about crime did not take place at the same pace as the actual rate of homicides. While there were already high levels of crime in the country after 2000 and even before, the number of respondents who saw this as “the most important problem affecting the country” in the Latinobarómetro survey¹²⁶ did not begin to grow substantially until 2005 and after.

Figure 5.1.4. Venezuela: Intentional Homicides vs. Public Concern about Crime, 2000-2012



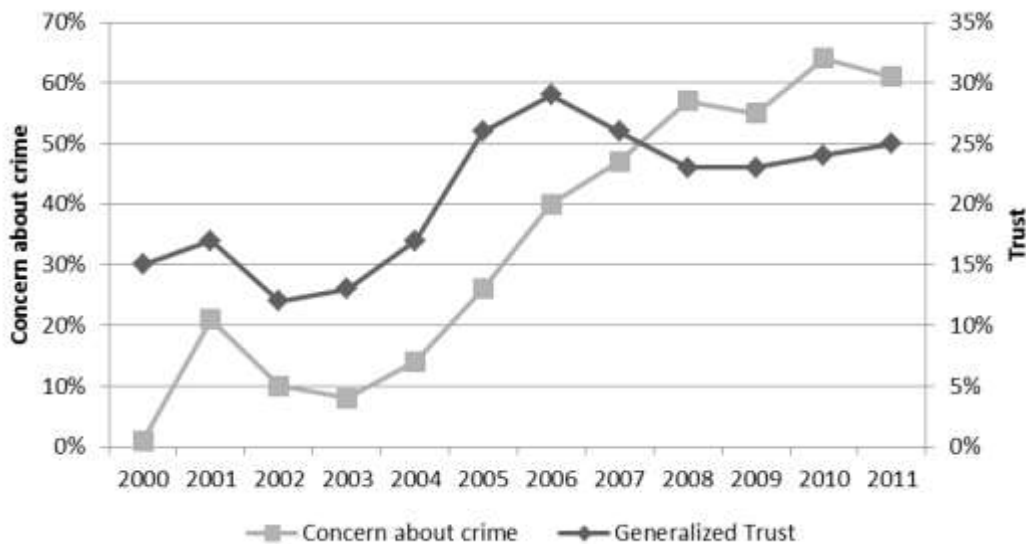
Source: Latinobarómetro (2016) and World Bank (2016c). Data in Tables 5.1.1 and 5.1.2.

A comparison of the way concern about crime increased in relation to generalized trust provides an interesting picture. Figure 5.1.5 uses different scales for each indicator in order to

¹²⁶ “Crime” was one of many options given to respondents under the question “what are you concerned the most about?” Other options to choose from included a variety of economic indicators, international conflict, corruption, environmental problems, etc.

make evident the correlation between the trends in these two indicators, but the reader should be careful not to assume that the magnitude of these measures is as similar as the figure suggests. As the figure shows, generalized trust first decreased in Venezuela in 2002-2003, the years of the oil strike and the resulting economic crisis, and then both indicators increased during the following years, with generalized trust peaking in 2006 while concerns about crime continued to grow and finally seemed to have an effect on generalized trust.

Figure 5.1.5. Venezuela: Public Concern about Crime vs. Generalized Trust, 2000-2011.

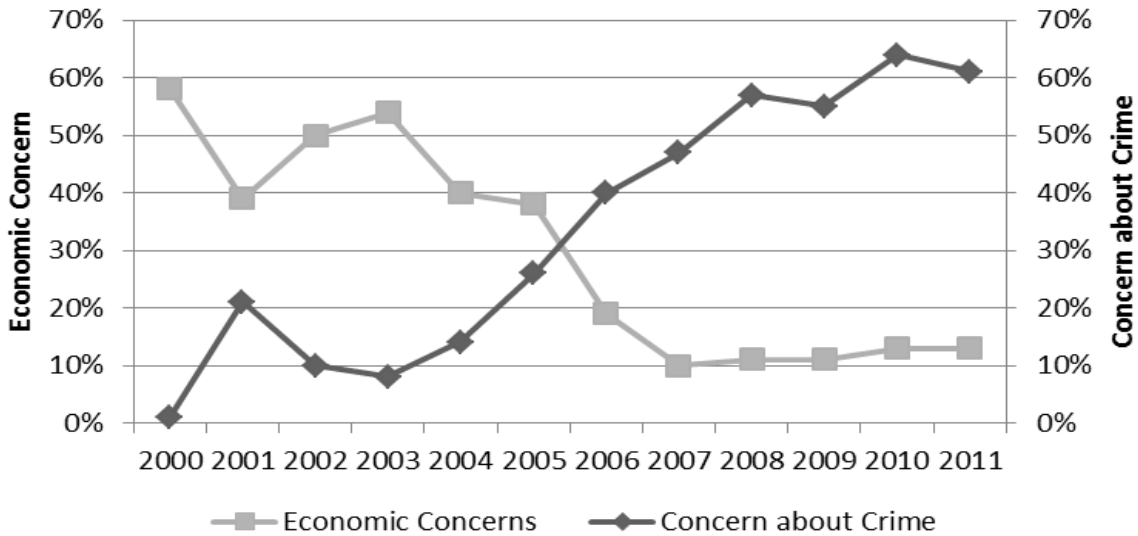


Source: Latinobarómetro (2016). Data in Tables 5.1.1 and 5.1.2.

Theoretically, concerns about crime are expected to affect generalized trust negatively and therefore be negatively correlated to it. The contrary is clearly the case during the period 2000-2006, when crime and trust moved in the same direction, which indicates that during that period there were other factors that impacted generalized trust more than the evident increasing concern about crime. As figure 5.1.6 demonstrates, economic concerns that include unemployment and inflation, and concerns about crime and public safety move in opposite

directions in the public perception of Venezuelans during the period of analysis and the years before. That is, when economic concerns seem very important for people, concerns about crime seem less important, even if, as we know, crime rates were significantly high.

Figure 5.1.6. Venezuela: Economic Concerns vs. Concern about Crime, 2000-2011.

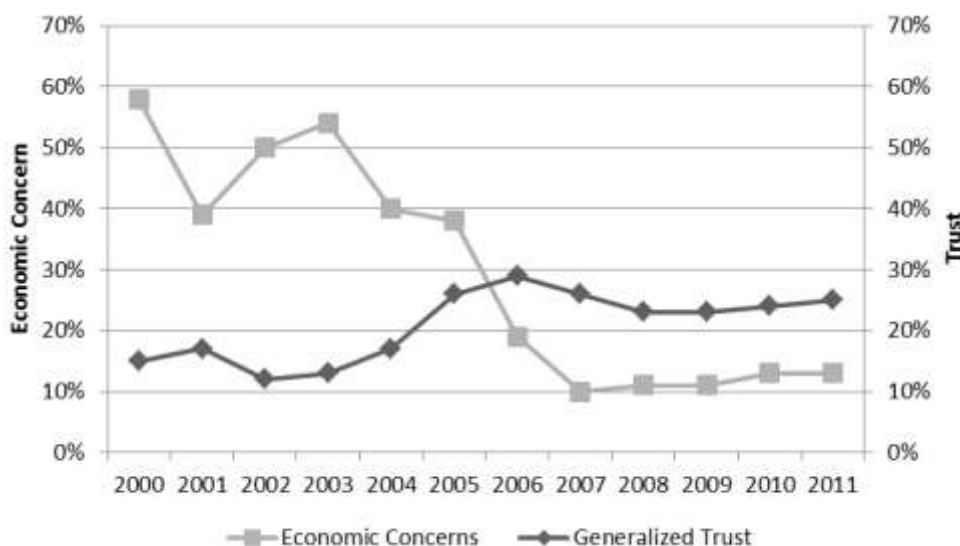


Source: Latinobarómetro (2016). Data in Table 5.1.2.

And after 2003, when Venezuela experienced an economic boom that allowed President Chávez to finance the Social Missions, economic concerns gave way to concerns about crime to slowly take first place as the “most important issue affecting the country” in Venezuelans’ minds. Nonetheless, during that period generalized trust increased in a negative correlation to economic concerns, as seen in Figure 5.1.7 which also uses two different scales to highlight the inverse tendency among the variables. This negative correlation happened to a large extent as result of the growing economy, but also, as discussed in Chapter 4, due to some extent to the Venezuelan government’s use of those resources to implement participatory policies. Moreover, the foundation created by these policies may help to explain why the decline in generalized trust and in other social capital-related indicators that will be discussed in this chapter did not

experience such a steep decline after 2007 despite the crime crisis and the economic recession of 2008-2009.

Figure 5.1.7. Venezuela: Economic Concerns vs. Generalized Trust, 2000-2011.



Source: Latinobarómetro (2016). Data in Tables 5.1.1 and 5.1.2.

Table 5.1.2. Venezuela: Intentional Homicides, Economic Concerns, and Concern about Crime, 2000-2011.

Issue	Year											
	00	01	02	03	04	05	06	07	08	09	10	11
Intentional Homicides (per 100,000)	33	32	38	44	37	37	45	48	52	49	45	48
<i>Most important problem affecting the country (%)</i>												
- Low wages, unemployment, and inflation	58	39	50	54	40	38	19	10	11	11	13	13
- Crime / Public safety	1	21	10	8	14	26	40	47	57	55	64	61

Source: Latinobarómetro (2016) and World Bank (2015).

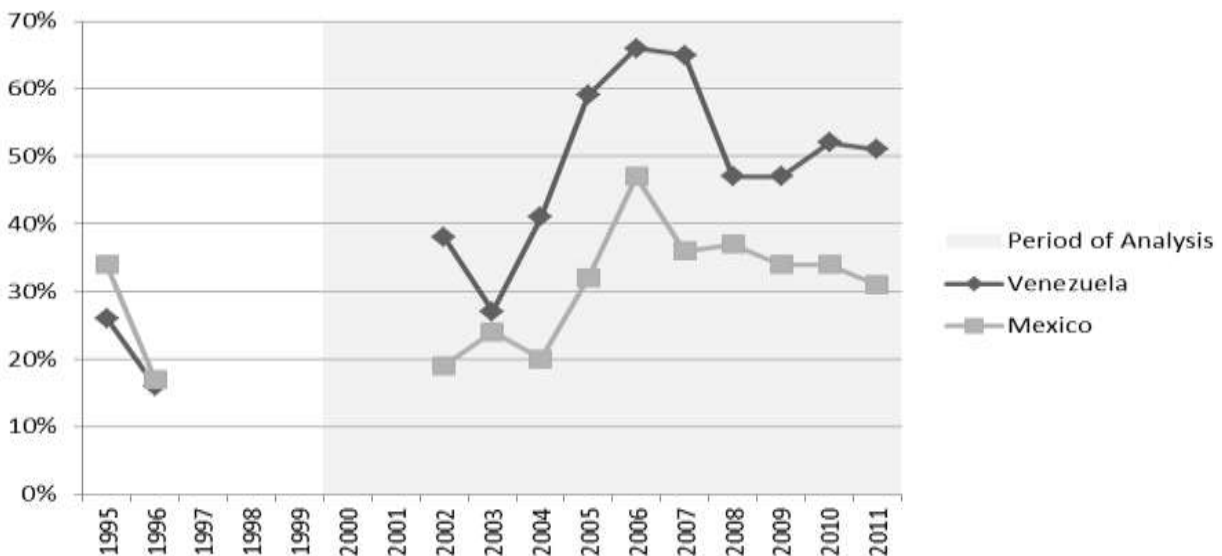
While generalized trust is the most significant trust indicator used in the analysis of social capital, other important related measures are those that reflect people's trust in institutions, in particular in government. The Latinobarómetro survey did not ask a question about this from 1997 to 2001, though it did before and afterwards. Nonetheless, trust in government declined in Mexico and Venezuela from 1995 to 1996, when only 17 percent of respondents in the two

countries affirmed that they trusted the government some or a lot. These numbers improved in 2002 and after, significantly more in Venezuela where this indicator reached its highest levels at around 65 percent in 2006 and 2007.

After this period, trust in government declined probably due to a combination of factors including growing concern about crime rates, the December 2007 referendum in which Chávez was perceived as trying to grab too much power, and the beginning of the global economic recession. Trust in government became stable at around 50 percent in Venezuela from 2008 to 2011, while it peaked in Mexico at 47 percent in 2006, and became stable in the subsequent years of PAN administrations at around 35 percent (Figure 5.1.8).

In 2002 in Mexico, trust in government at 19 percent was half of what it was that year in Venezuela. This indicator experienced a fast increase in 2005 and 2006 to 47 percent, likely due to the hopeful wave described before, which was powered by high GDP growth and the upcoming 2006 election. Similar to what happened with generalized trust, Mexicans' trust in government experienced a decline in 2007 and it remained in the low 30s until 2011.

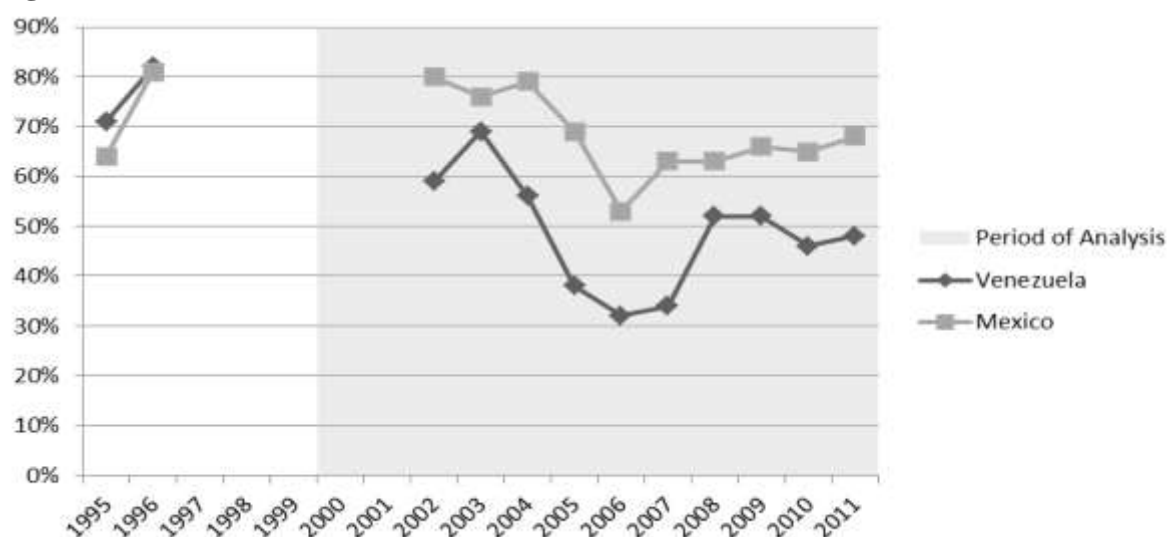
Figure 5.1.8. Mexico and Venezuela: Trust in Government, A lot/some (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A60201H. Data in Table 5.1.3.

As expected, lack of trust in government features the reversed picture, with both Mexico and Venezuela recording over 80 percent of people who did not trust government in 1996, and Venezuela reducing that number significantly lower levels than Mexico (Figure 5.1.9).

Figure 5.1.9. Mexico and Venezuela: Trust in Government, A little/none (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A60201H. Data in Table 5.1.3.

Table 5.1.3. Mexico and Venezuela: Trust in government (%), 1995-2011.

Mexico												
	1995	1996	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A lot	4	3	3	2	1	6	12	5	7	7	6	5
Some	30	14	16	22	19	26	35	31	30	27	28	26
A little	40	35	46	38	47	44	34	42	42	42	43	40
None	24	46	34	38	32	25	19	21	21	24	22	28
DK/NA	1	1	1	1	1	0	0	0	0	0	1	0
A lot / some	34	17	19	24	20	32	47	36	37	34	34	31
A little / none	64	81	80	76	79	69	53	63	63	66	65	68
Venezuela												
A lot	10	4	18	10	22	35	43	36	22	24	21	26
Some	16	12	20	17	19	24	23	29	25	23	31	25
A little	29	28	31	22	19	20	16	19	25	29	23	28
None	42	54	28	47	37	18	16	15	27	23	23	20
DK/NA	3	2	3	4	3	2	3	1	1	1	2	0
A lot / some	26	16	38	27	41	59	66	65	47	47	52	51
A little / none	71	82	59	69	56	38	32	34	52	52	46	48

Source: Latinobarómetro (2016), Indicator A60201H.

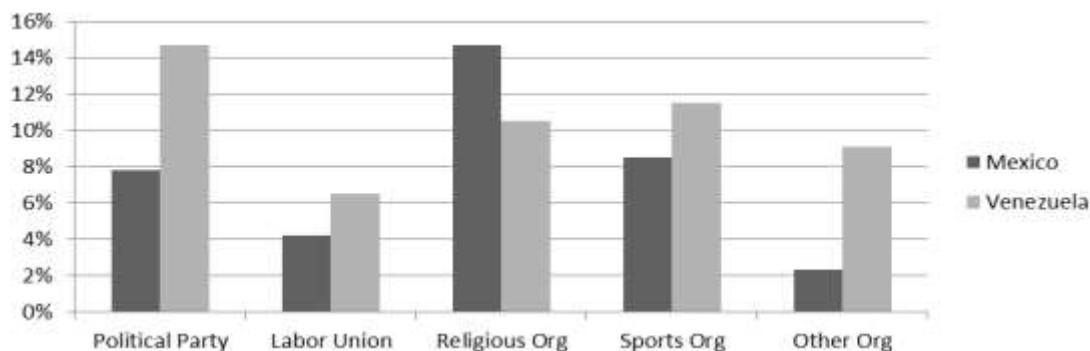
The measures of generalized trust and trust in government presented here provide strong evidence that these measures significantly improved in Venezuela and declined in Mexico during the analyzed period. These trust indicators are key in measuring social capital, just as is belonging to networks, which is assessed in the next set of indicators.

B. Groups and networks, and C. Collective action

The indicators on participation discussed in this section give an idea of how people participated in groups and networks in Venezuela during the Chávez administration and in Mexico under the PAN, but they also show the perception people had in these countries about the relevance of collective action as positive for democracy.

Unfortunately, the Latinobarómetro’s questions about specific forms of participation are not consistent throughout the different years and therefore do not allow for a time-series analysis of their evolution. Nonetheless, in 2007, the Latinobarómetro asked people about the different types of organizations they belonged to and actively participated in¹²⁷. The results show that Venezuelans actively participated more than Mexicans that year in all types of organizations, except for religious ones, as seen in Figure 5.1.10.

Figure 5.1.10. Mexico and Venezuela: “Belongs to and actively participates in...” 2007.



Source: Latinobarómetro (2016), Indicator A503114A. Data in Table 5.1.4.

¹²⁷ The five options presented in the chart and the table were the only options given to respondents in this question. However, these questions were asked separately, which gave the respondents the opportunity to choose more than one.

Table 5.1.4. Mexico and Venezuela: “Belongs to and actively participates in...” (%), 2007.

	Political Party	Labor Union	Religious Org	Sports Org	Other Org
Mexico	7.80	4.20	14.70	8.50	2.30
Venezuela	14.70	6.50	10.50	11.50	9.10

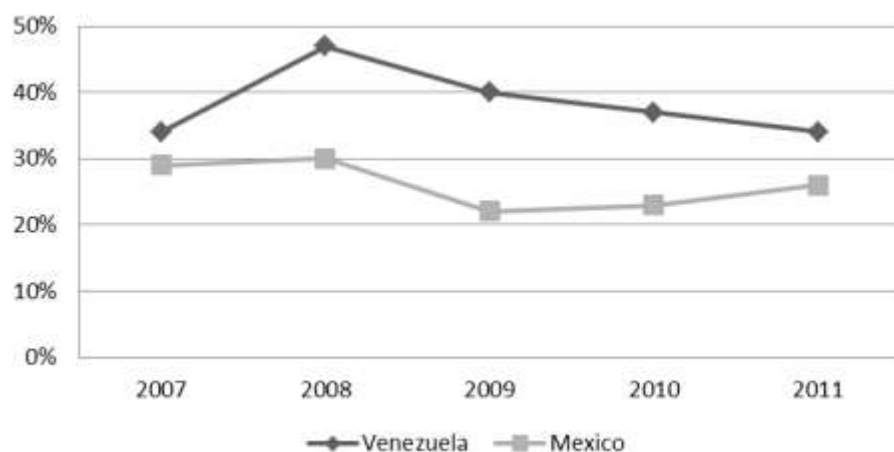
Source: Latinobarómetro (2016), Indicator A503114A.

This information does not tell anything about the evolution that led to this pattern of participation, if it was similar throughout the years before 2007 or if something changed to arrive at these numbers. However, by 2007 the participatory model was established in Venezuela, while the consolidation of clientelism under the PAN had become even more visible during and after the 2006 presidential election, which can at least partially explain this gap.

The Latinobarómetro also shows that from 2007 to 2011 more people considered participation in social or political organizations to be part of being a good citizen in Venezuela than in Mexico, by a margin of between 5 to 18 percent. This support for collective action could plausibly be influenced by the participatory democracy discourse that Hugo Chávez stressed during his administration, as well as by the closer experience of participation from the many Venezuelan involved in the government’s Social Missions,¹²⁸ and the many others who learned about participation through them. On the contrary, while Mexico had a rich history of civic participation during the 1990s and before as illustrated in Chapter 2, during the PAN administrations civil society was weakened, and the continuation of clientelism produced disenchantment and competition in parts of the population, as discussed in Chapter 3.

¹²⁸ Figures on participation in the various Misiones are presented in Chapter 3.

Figure 5.1.11. Mexico and Venezuela: What does it take to be a good citizen? Participate in social or political organizations (%), 2007-2011.



Source: Latinobarómetro (2016), Indicator A50102. Data in Table 5.1.5.

Table 5.1.5. Mexico and Venezuela: What does it take to be a good citizen (%), 2007-2011.

Mexico					
	2007	2008	2009	2010	2011
Vote	74	73	69	66	65
Pay taxes	43	45	40	41	42
Always obey all laws	37	42	34	37	35
Participate in social organizations	17	15	13	13	15
Participate in political organizations	12	15	9	10	11
Participate in social or political organizations	29	30	22	23	26
Choose environmentally responsible products	16	17	19	14	16
Help people who are in worse conditions than we are	34	39	37	36	40
Fulfill military service	30	23	24	22	27
DK/NA	2	2	4	3	4

Venezuela					
	2007	2008	2009	2010	2011
Vote	69	88	85	84	82
Pay taxes	45	51	51	44	41
Always obey all laws	44	48	50	52	40
Participate in social organizations	20	27	22	23	14
Participate in political organizations	14	20	18	14	20
Participate in social or political organizations	34	47	40	37	34
Choose environmentally responsible products	14	24	18	22	23
Help people who are in worse conditions than we are	21	40	26	43	34
Fulfill military service	22	23	26	23	17
DK/NA	3	1	2	2	0

Source: Latinobarómetro (2016), Indicator A50102.

Support for participation in social and political organizations peaked at 47 percent in 2008 in Venezuela, possibly due to the three factors mentioned before: the 2007 referendum, the rise in crime, and economic recession. After this year, support for participation began to slowly decline reaching 34 percent in 2011, the same value for this indicator found in 2007 when this question was first asked. On the contrary, Mexico experienced a decline from 30 to 22 percent in 2009, likely the result of the economic crisis, after which it rose slowly to 26 percent in 2011 (Figure 5.1.11).

Unfortunately the Latinobarómetro does not have consistent data for all the years in the period of study for the indicators used in this section. Nonetheless, these results show that in the samples taken, Venezuelan participation in networks and their support for collective action was stronger than that of Mexicans, which would also be expected to be relative to the state of social capital in those places.

As discussed in Chapter 1, a multidimensional approach to understanding social capital looks beyond trust and networks, assessing the state of indicators associated with the strength of social capital. Among those indicators social inclusion is a key one that demonstrates that the existing social capital is of the *bridging* type in which people are concerned about the well-being of society at-large, as opposed to the *bonding* type, where closed group trust is accompanied by distrust with the rest of society. The following section assesses people's perception about social inclusion in Mexico and Venezuela.

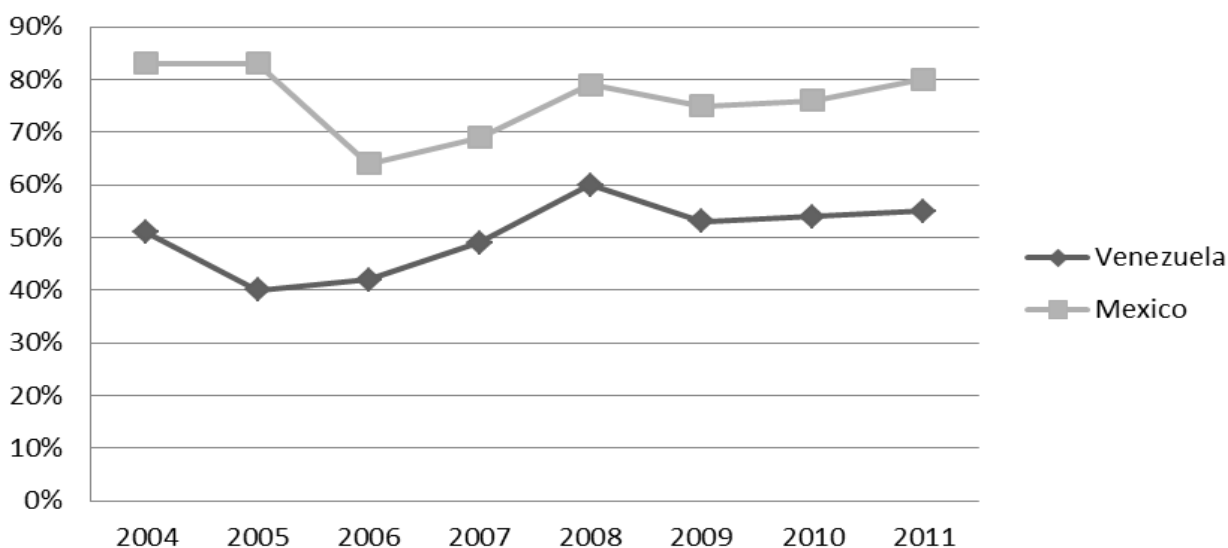
D. Social inclusion

For matters of understanding social capital, the indicators displayed here are useful not because they necessarily show actual social inclusion, which could have taken place or not, but because they show the importance that social inclusion had for people in each one of the

analyzed countries, and the extent to which they believe that their society was addressing this issue.

From 2004 to 2011 there is a constant 20 percent gap between the way Mexicans and Venezuelans perceive whether their government is working mostly in favor of powerful groups, or for the benefit of all the people. In Mexico, the perception that the country is governed by the powerful for their own benefit was constantly at around 80 percent from 2004 to 2011, except for a decline to 64 percent in 2006 and 69 percent in 2007, probably due to the rise in hope that took place around the 2006 election. In Venezuela, this indicator remained between 40 and 50 percent from 2004 to 2007, and between 50 and 60 percent after that year (Figure 5.1.12), when there was dissatisfaction because of the 2007 referendum, crime rates, and economic recession. These figures show that in Venezuela under Chávez there was a stronger perception in the population that social inclusion was an issue addressed by the government than in Mexico under the PAN.

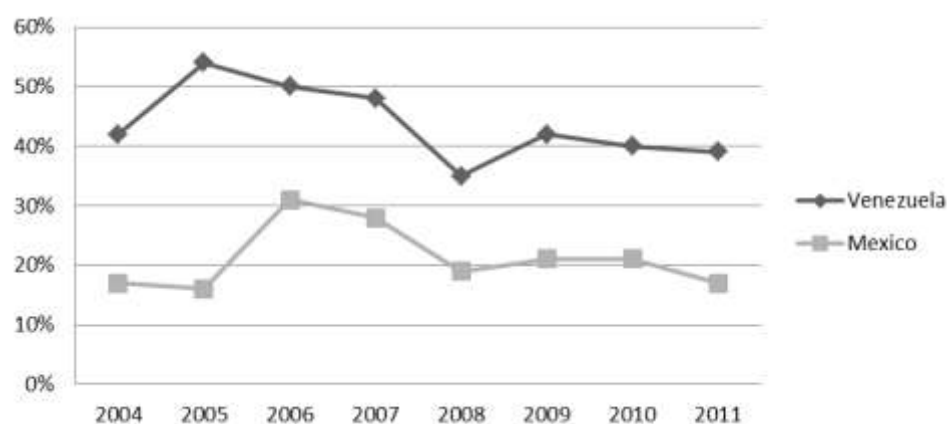
Figure 5.1.12. Mexico and Venezuela: Country governed by the powerful for their own benefit (%), 2004-2011.



Source: Latinobarómetro (2016), Indicator A50010. Data in Table 5.1.6.

As expected, those who believe the country is governed “for everyone’s wellbeing” is inversely proportional to those who believe it is governed “by the powerful for their own benefit,” as seen in Figure 5.1.13.

Figure 5.1.13. Mexico and Venezuela: Country governed for everyone’s wellbeing (%), 2004-2011.



Source: Latinobarómetro (2016), Indicator A50010. Data in Table 5.1.6.

Table 5.1.6. Mexico and Venezuela: Country for everyone or just for the powerful (%), 2004-2011.

Mexico								
	2004	2005	2006	2007	2008	2009	2010	2011
Powerful groups for their own benefit	83	83	64	69	79	75	76	80
For everyone’s wellbeing	17	16	31	28	19	21	21	17
DK/NA	1	0	5	2	2	4	3	3

Venezuela								
	2004	2005	2006	2007	2008	2009	2010	2011
Powerful groups for their own benefit	51	40	42	49	60	53	54	55
For everyone’s wellbeing	42	54	50	48	35	42	40	39
DK/NA	7	6	8	4	5	5	6	6

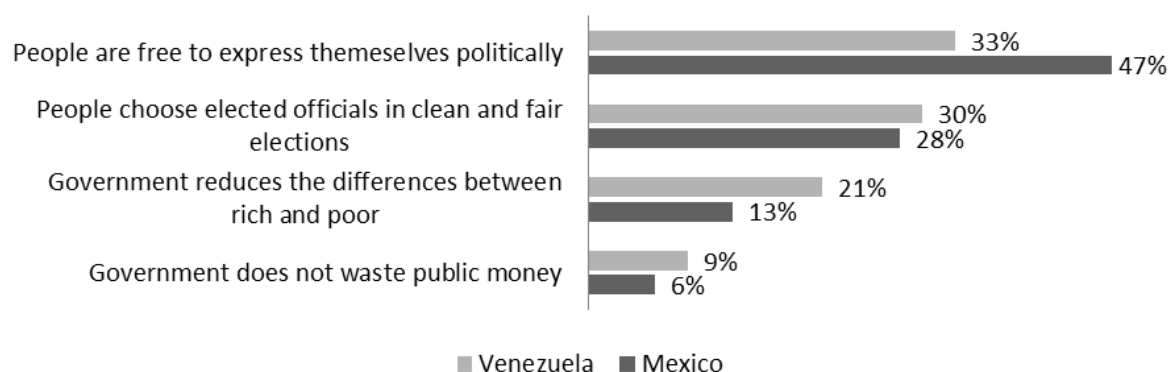
Source: Latinobarómetro (2016), Indicator A50010.

The 2013 Latinobarómetro asked respondents about the characteristics that they considered to be most essential for democracy. The question was asked one year after the end of the period of analysis used in this project, and therefore its answers cannot be taken as the

exclusive result of either the PAN or the Chávez presidencies. Nonetheless, unless there was a very dramatic change in people’s perception about these topics in 2013 from the way they reponded in 2012, the 2013 results provide a reliable idea of the public perception on this topic in the two countries at the end of the period analyzed here.

When asked in 2013 about the most essential characteristic of democracy, both Venezuelans and Mexicans ranked freedom of expression in first place, with clean and fair elections in second place, reducing inequality in third, and government efficiency in fourth. However, as seen in Figure 5.1.14, the percentage of Venezuelans who valued the government’s role in reducing inequality as the most essential characteristic of democracy was significantly higher than the percentage of Mexicans, 21 vs 13 percent.

Figure 5.1.14. Mexico and Venezuela: Democracy's most essential characteristic (%), 2013.



Source: Latinobarómetro (2016), Indicator A124. Data in Table 5.1.7.

Table 5.1.7. Mexico and Venezuela: Democracy’s most essential characteristic (%), 2013.

	Mexico	Venezuela
People are free to express themselves politically	47	33
People choose elected officials in clean and fair elections	28	30
Government reduces the differences between rich and poor	13	21
Government does not waste public money	6	9
DK/NA	6	8

Source: Latinobarómetro (2016), Indicator A124.

An implication of these results may be that, given that inequality reduction was significantly important for Venezuelans, and many of the policies in the Chávez administration sought to address this issue, this could be one of the reasons for increasing levels of satisfaction with democracy that Venezuelans expressed during this period. This relation between redistributive policies and democratic satisfaction is particularly plausible in Venezuela after a period in which people grew disaffected with democracy due to politicians who campaigned as anti-neoliberals and then embraced free-market and austerity policies once elected to office, as described in Chapter 4.

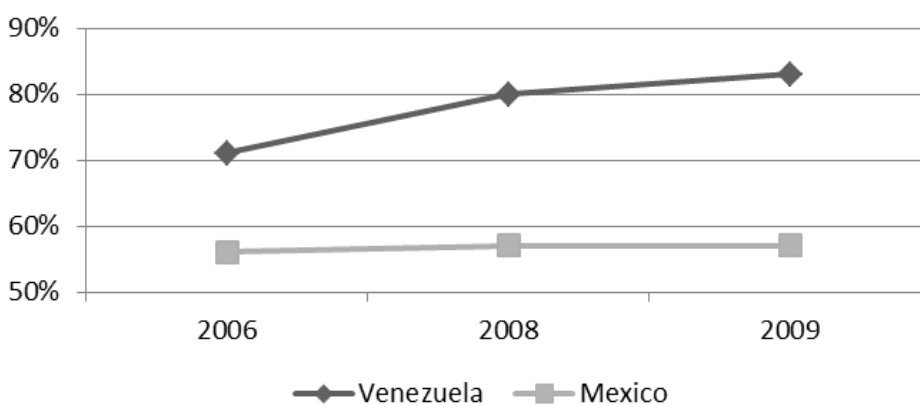
The results in section 5.1 have demonstrated that social capital was strengthened in Venezuela and hindered in Mexico during the period covered by this study. This, in conjunction with the causal processes described in Chapter 3, supports the hypothesis that state-promoted participation facilitated the development of social capital in Venezuela during the Chávez administration, while the continuation of clientelism in Mexico under the PAN reduced social capital.

5.2. STATE-PROMOTED PARTICIPATION STRENGTHENS DEMOCRATIC VALUES AND CLIENTELISM HINDERS THEM: COMPARISON OF VENEZUELA AND MEXICO'S VARIATIONS IN DEMOCRATIC VALUES.

The results in this section support the second hypothesis articulated in this project, as stated in the section title. Nonetheless, they also provide evidence for what would be subsection E. Empowerment and Political Action, part of the analysis of social capital developed in 5.1, as per the definition of social capital discussed in the literature review and in the research design of this project.

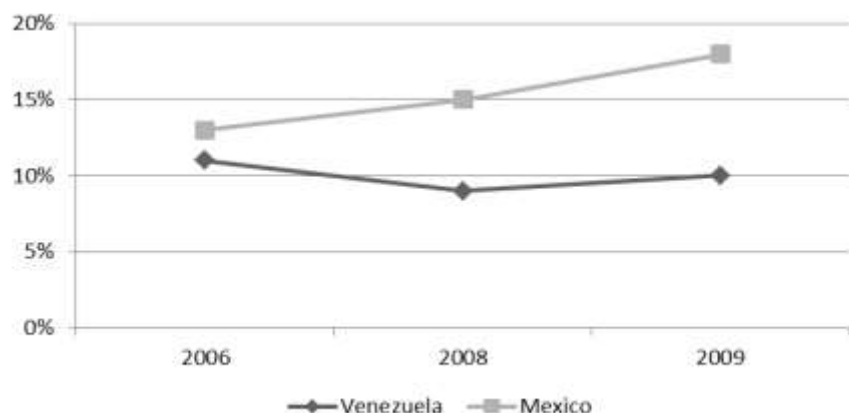
The question “what is the most effective way in which you can contribute to changing things?” was asked in the 2006, 2008 and 2009 Latinobarómetro surveys. As seen in Figure 5.2.1, Venezuelans’ perception that voting is the best way to achieve social change increased during those years from 71 to 83 percent while for Mexicans it remained constant at around 57 percent. Figure 5.2.2 shows how the perception that Mexicans have about “protest as the most effective way to effect change” increased from 13 to 18 percent, possibly as result of disenchantment with the political and electoral system after the 2006. In Venezuela, support for voting contrasts with support for protest as the way to change things, which remained constant at around 10 percent from 2006 to 2009. These results possibly reflect increased trust among Venezuelans that electoral outcomes were respected and had consequences, both in favor of Chávez in 1998,1999 and 2004, and against him in the 2007 referendum.

Figure 5.2.1. Mexico and Venezuela: Most effective way to change things: Vote (%), 2006-2009.



Source: Latinobarómetro (2016), Indicator A50005. Data in Table 5.2.1.

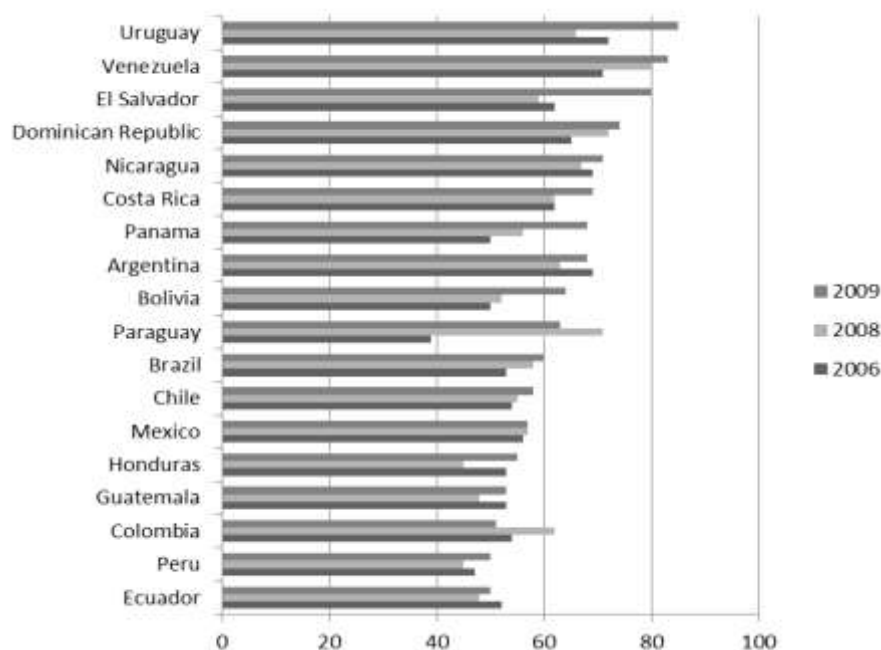
Figure 5.2.2. Mexico and Venezuela: Most effective way to change things: Protest (%), 2006-2009.



Source: Latinobarómetro (2016), Indicator A50005. Data in Table 5.2.1.

These results are also significant in relation to regional trends. As Figure 5.2.3 shows, the number of Venezuelans who considered voting an effective tool to achieve change is the highest or the second highest among Latin American countries in the three years when the question was asked. In contrast, in 2009 Mexico ranked 14 out of the 18 countries surveyed.

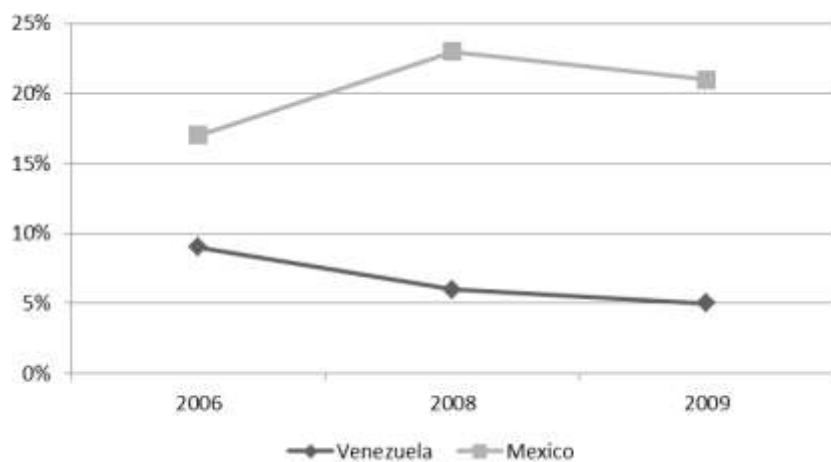
Figure 5.2.3. Latin America: Most effective way to change things is to vote for those who will defend my position (%), 2006-2009.



Source: Latinobarómetro (2016), Indicator A50005. Data in Table 5.2.2.

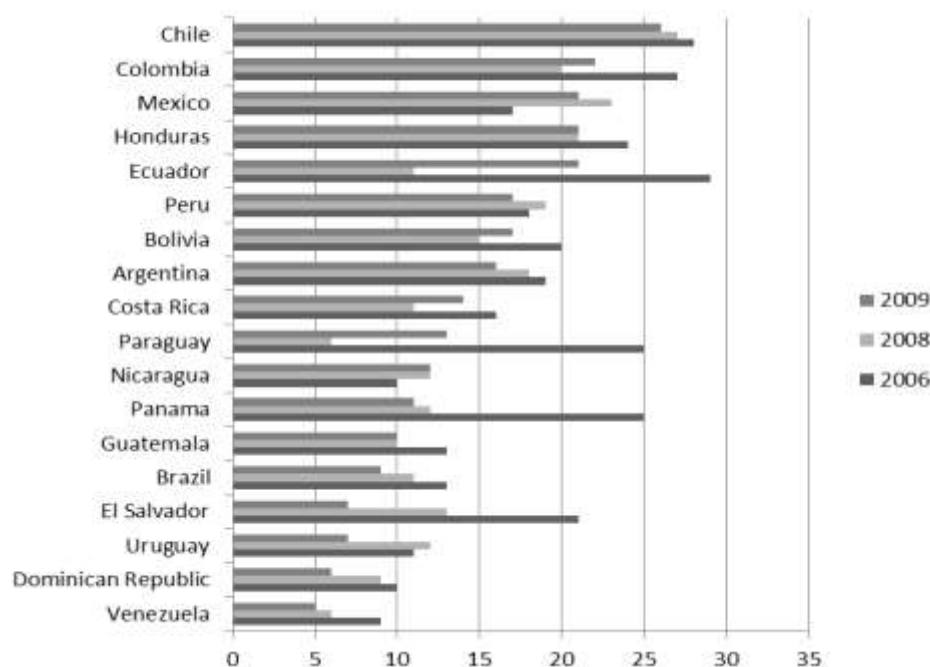
Another option in the same question was “it is not possible to contribute to change things”, which shows the level of disenchantment that exists in a country about any possibility for positive change. As can be seen in Figure 5.2.4, Mexicans’ lack of belief in the possibility of change increased from 17 to 23 percent in the two years after the 2006 election, while in Venezuela the same indicator decreased from 9 in 2006 to around 5 percent in 2008 and 2009. These changes moved the two countries towards separate poles on this question within the region, in which Mexico became one of the top three countries in which people do not believe change is possible, while Venezuela became the country where the fewest people agree with this statement (Figure 5.2.5).

Figure 5.2.4. Mexico and Venezuela: Most effective way to change things: Not possible to contribute to change things (%), 2006-2009.



Source: Latinobarómetro (2016), Indicator A50005. Data in Table 5.2.1.

Figure 5.2.5. Latin America: It is not possible to contribute to change things (%), 2006-2009.



Source: Latinobarómetro (2016), Indicator A50005. Data in Table 5.2.2.

The diverging numbers between Venezuela and Mexico on this question could help to support the argument that the most effective way to radicalize politics is not Chávez’s fiery rhetoric. Instead, the way the Mexican political system under the PAN continued clientelism and closed venues for people to achieve change through institutional mechanisms, unintentionally may cause radicalization.

Table 5.2.1. Mexico and Venezuela: Most effective ways to change things (%), 2006-2009.

	Mexico				Venezuela		
	2006	2008	2009		2006	2008	2009
To vote to elect those who defend my position	56	57	57		71	80	83
To participate in protest movements and demand change	13	15	18		11	9	10
It is not possible to contribute to change things	17	23	21		9	6	5
None of the above	9	4	2		5	3	1
DK/NA	6	2	2		4	2	2

Source: Latinobarómetro (2016), Indicator A50005.

Table 5.2.2. Latin America: Most effective ways to change things (%), 2006-2009.

Country	<i>To Vote</i>			Country	<i>Not possible</i>		
	2006	2008	2009		2006	2008	2009
Uruguay	72	66	85	Chile	28	27	26
Venezuela	71	80	83	Colombia	27	20	22
El Salvador	62	59	80	Ecuador	29	11	21
Dominican Republic	65	72	74	Honduras	24	21	21
Nicaragua	69	67	71	Mexico	17	23	21
Costa Rica	62	62	69	Bolivia	20	15	17
Argentina	69	63	68	Peru	18	19	17
Panama	50	56	68	Argentina	19	18	16
Bolivia	50	52	64	Costa Rica	16	11	14
Paraguay	39	71	63	Paraguay	25	6	13
Brazil	53	58	60	Nicaragua	10	12	12
Chile	54	55	58	Panama	25	12	11
Mexico	56	57	57	Guatemala	13	10	10
Honduras	53	45	55	Brazil	13	11	9
Guatemala	53	48	53	Uruguay	11	12	7
Colombia	54	62	51	El Salvador	21	13	7
Ecuador	52	48	50	Dominican Republic	10	9	6
Peru	47	45	50	Venezuela	9	6	5

Source: Latinobarómetro (2016), Indicator A50005.

As discussed in Chapter 3, the Chávez administration was often accused in the media and by politicians, domestically and internationally, of being undemocratic and even authoritarian. An assessment of these accusations results in a complex picture in which some claims were exaggerated, such as those about absolute lack of space for political participation or freedom of the press, while there were also strategies used by the Chávez government that increased political polarization, centralized political and administrative power, and limited venues for distention and dialogue with an already belligerent opposition. Nonetheless, democratic values in Venezuela became stronger during this period, to the point of placing the country among the highest in the region.

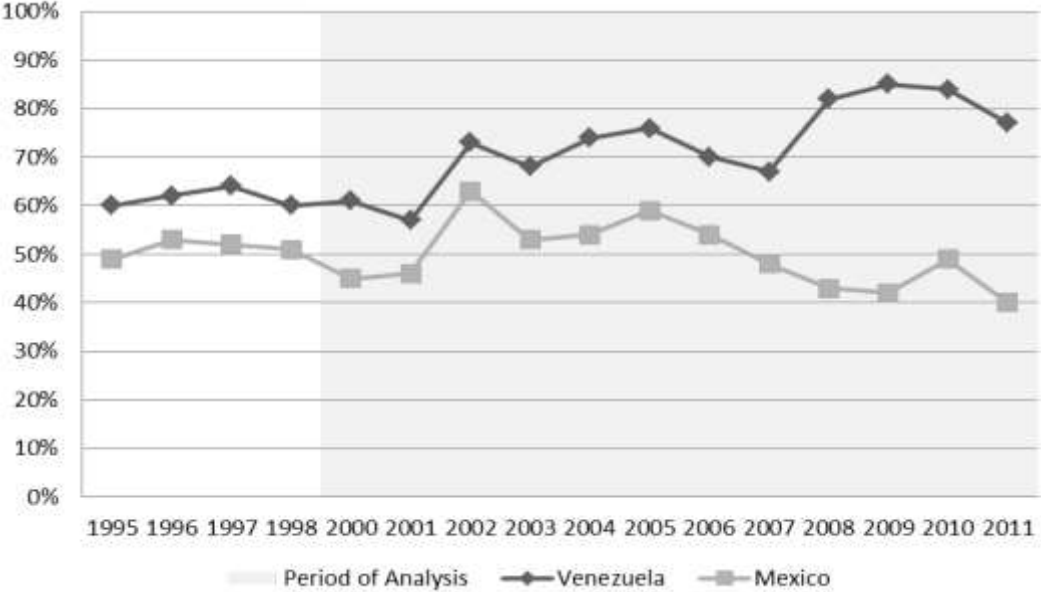
Democratic Support

Support for democracy over other forms of government is one of the indicators in which divergence is more noticeable between Mexico and Venezuela during the analyzed period. As

Figure 5.2.6 shows, Venezuela already featured a ten-percent higher support for democracy than Mexico from 1995 to 2002, with Mexico at around 50 percent and Venezuela around 60 percent. However, after both countries experienced a similar ten percent spike in democratic support in 2003, Venezuela showed an average increase for the rest of the period reaching 80 percent support in 2008 and remaining in that vicinity until 2011, its highest levels since the Latinobarómetro began implementing surveys in 1995.

In contrast, for Mexico this indicator features a declining trend after 2002 until reaching 40 percent in 2011, its lowest since Latinobarómetro’s first round. From 2008 to 2011, democratic support in Venezuela was about double of democratic support in Mexico and, as it is shown below, Venezuelan support for democracy increased to put the country in first place among Latin American countries on this item (Figure 5.2.6).

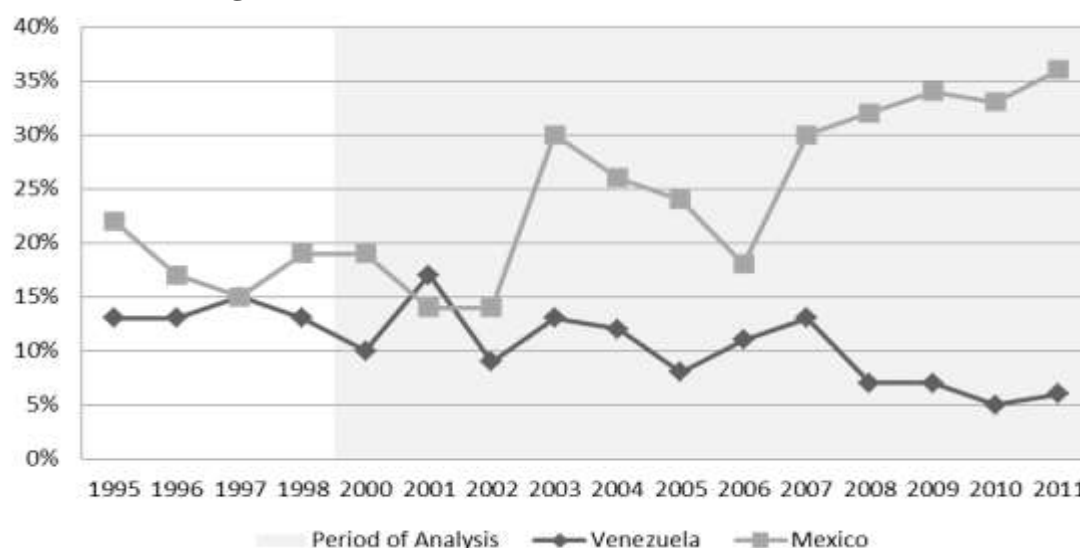
Figure 5.2.6. Mexico and Venezuela. Support for democracy: Democracy is preferable to any other form of government (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A101. Data in Table 5.2.3.

The disenchantment with democratic institutions already described in Mexico is even more notable when people were asked explicitly about how much they believe democracy makes a difference in their lives. Figure 5.2.7 presents a stark contrast between the way the number of people who believe democracy does not affect their lives declined in Venezuela during the Chávez administration from 10 to 5 percent, and the way it increased in Mexico from 20 to 35 percent under the PAN administrations.

Figure 5.2.7. Mexico and Venezuela. Weak support for democracy: To people like me, it is the same if the regime is a democratic one or not (%), 1995-2011.

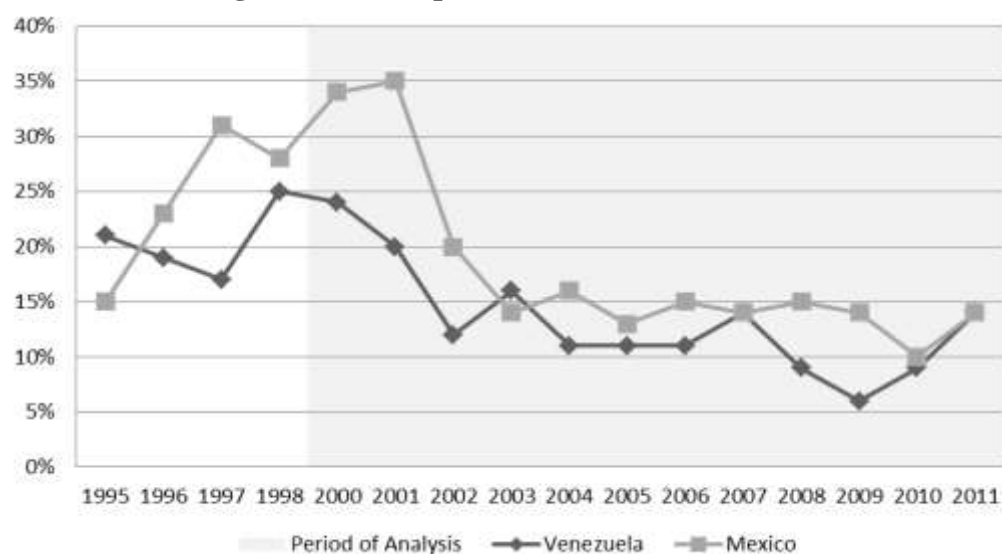


Source: Latinobarómetro (2016), Indicator A101. Data in Table 5.2.3.

In both Mexico and Venezuela, support for authoritarian government clearly declined after 2003 to a range between ten and fifteen percent in Mexico and nine to fourteen in the case of Venezuela (Figure 5.2.8 and Table 5.2.3). These numbers suggest that dissatisfaction with democracy, as observed in Mexico, does not necessarily translate into support for authoritarianism. Moreover, while other indicators have varied in both countries as result of domestic and international crises, support for authoritarianism does not really show that

variation, which may imply that the authoritarian form of government has significantly lost support in these countries to the point of not being considered even under times of crisis.

Figure 5.2.8. Mexico and Venezuela. Support for democracy: Under some circumstances, an authoritarian government is preferable (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A101. Data in Table 5.2.3.

Table 5.2.3. Mexico and Venezuela: Support for Democracy (%), 1995-2011.

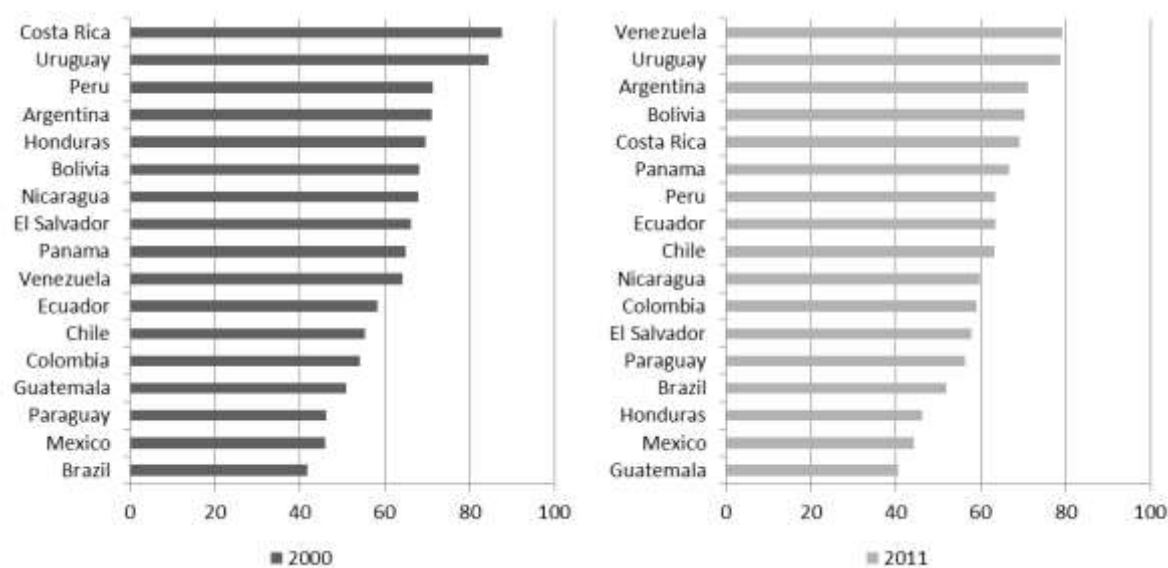
	Mexico															
	95	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
Democracy is preferable to any other form of government	49	53	52	51	45	46	63	53	54	59	54	48	43	42	49	40
Under some circumstances an authoritarian government is preferable	15	23	31	28	34	35	20	14	16	13	15	14	15	14	10	14
To people like us, it is the same if the regime is a democratic one or not	22	17	15	19	19	14	14	30	26	24	18	30	32	34	33	36
DK/NA	14	6	3	2	2	4	4	3	3	4	13	9	10	10	8	11

Venezuela																
	95	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
Democracy is preferable to any other form of government	60	62	64	60	61	57	73	68	74	76	70	67	82	85	84	77
Under some circumstances an authoritarian government is preferable	21	19	17	25	24	20	12	16	11	11	11	14	9	6	9	14
To people like us, it is the same if the regime is a democratic one or not	13	13	15	13	10	17	9	13	12	8	11	13	7	7	5	6
DK/NA	6	5	4	2	5	5	6	4	3	5	8	7	3	2	2	2

Source: Latinobarómetro (2016), Indicator A101.

The variation in the positions of both Mexico and Venezuela on the issue of democratic support in comparison with the rest of the region is also significant. As seen in Figure 5.2.9, while Mexico remained second to last in the region in support for democracy in both 2000 and 2011, Venezuela climbed from tenth place out of the seventeen surveyed Latin American countries in 2000, to first in 2011.

Figure 5.2.9. Latin America. Support for Democracy: Democracy is preferable to any other form of government (%), 2000 and 2011.



Source: Latinobarómetro (2016), Indicator A101. Data in Table 5.2.4.

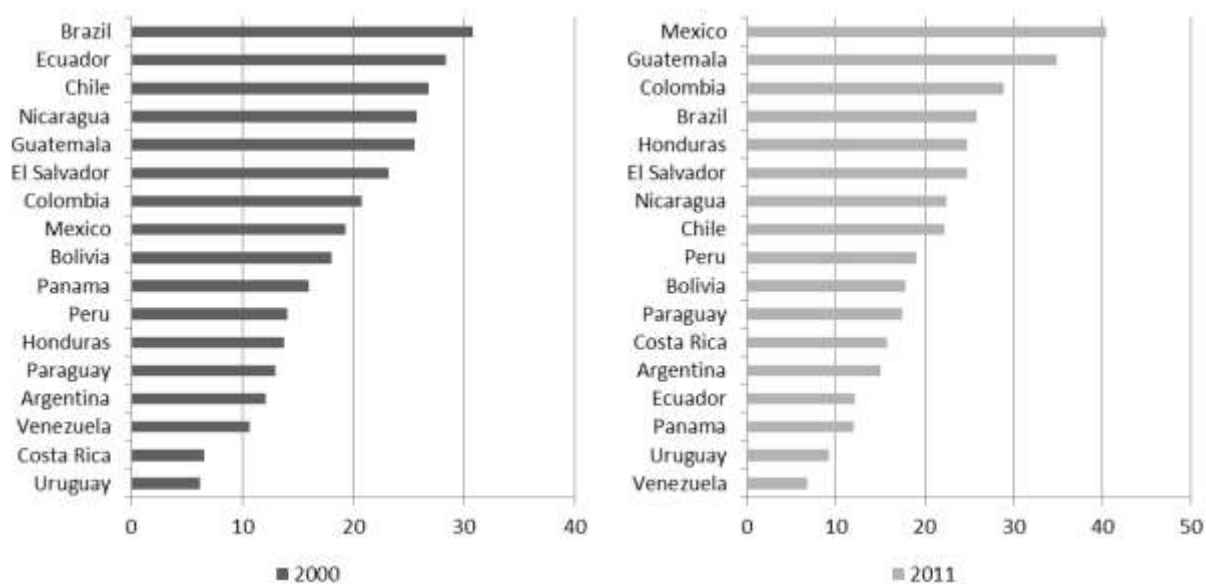
Table 5.2.4. Latin America. Support for Democracy: Democracy is preferable to any other form of government (%), 2000 and 2011.

Country	2000	2011	Country	2000	2011
Venezuela	64.3	79.2	Nicaragua	67.9	59.8
Uruguay	84.3	78.8	Colombia	54.0	58.9
Argentina	71.2	71.2	El Salvador	66.1	57.9
Bolivia	68.1	70.3	Paraguay	46.2	56.3
Costa Rica	87.5	69.2	Brazil	41.7	51.8
Panama	64.9	66.6	Honduras	69.6	46.3
Ecuador	58.3	63.5	Mexico	45.9	44.1
Peru	71.4	63.5	Guatemala	50.8	40.6
Chile	55.3	63.2			

Source: Latinobarómetro (2016), Indicator A101.

Similarly, from 2000 to 2011 Venezuela went from third to first country in the region in which the fewest number agreed with the statement “to people like me, it is the same if the regime is a democratic one or not” (Figure 5.2.10). This variation was an improvement, but not a radical one. What is remarkable is that, on the same question, Mexico went from tenth to last out of the seventeen countries surveyed during the same period (Figure 5.2.10).

Figure 5.2.10. Latin America. Support for democracy: To people like me, it is the same if the regime is a democratic one or not (%), 2000 and 2011.



Source: Latinobarómetro (2016), Indicator A101. Data in Table 5.2.5.

Table 5.2.5. Latin America. Support for democracy: To people like me, it is the same if the regime is a democratic one or not (%), 2000 and 2011.

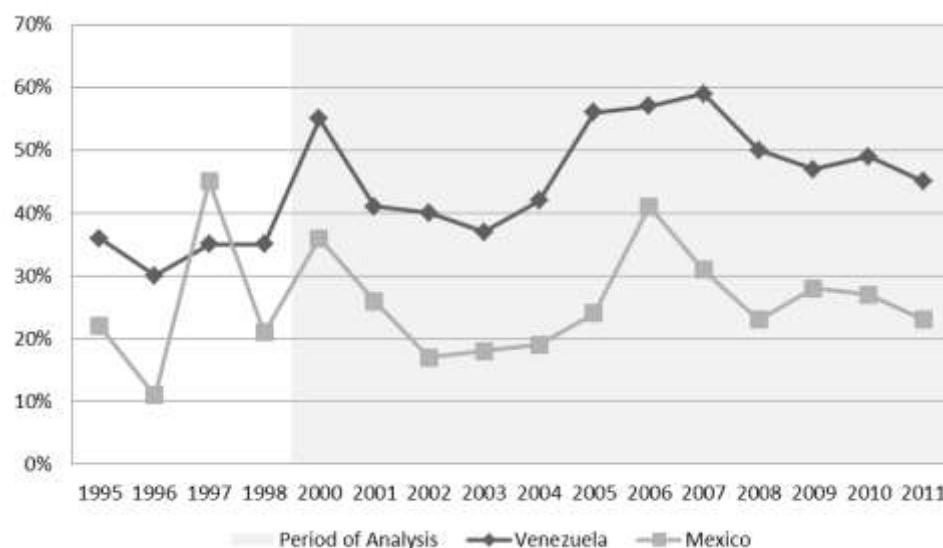
<i>Country</i>	<i>2000</i>	<i>2011</i>	<i>Country</i>	<i>2000</i>	<i>2011</i>
Mexico	19.3	40.5	Bolivia	18	17.8
Guatemala	25.5	34.8	Paraguay	13	17.5
Colombia	20.8	28.9	Costa Rica	6.6	15.7
Brazil	30.8	25.9	Argentina	12.1	15
Honduras	13.8	24.8	Ecuador	28.4	12.1
El Salvador	23.2	24.7	Panama	16	12
Nicaragua	25.7	22.4	Uruguay	6.2	9.2
Chile	26.8	22.2	Venezuela	10.6	6.7
Peru	14.1	19			

Source: Latinobarómetro (2016), Indicator A101.

Satisfaction with Democracy

In 2000, there were 15 percent more Venezuelans very satisfied or mostly satisfied with democracy than there were Mexicans (Figure 5.2.11). This margin increased to about 20 percent by 2000 and remained mostly constant until 2011, in part because the graph in both countries varied similarly, even if it does for different reasons. For instance, both countries present a dip of over 15 percent from 2001 to 2004, which in Mexico was caused by dissatisfaction around midterm elections and the political rearrangement between PAN and PRI, while in Venezuela this was the period that included the failed coup and the oil stoppage. Moreover, Mexico features a crest in 2006, reaching its highest point in this indicator during the PAN presidencies, which is likely to reflect the hopeful environment that existed around the 2006 election. In Venezuela, a spike in satisfaction with democracy is visible from 2005 to 2007, possibly as result of the economic boom and the perception that government was responsive to the demands of the people who voted Chávez into power. Both countries experienced a new 15 percent dip towards 2008 likely result of the global recession.

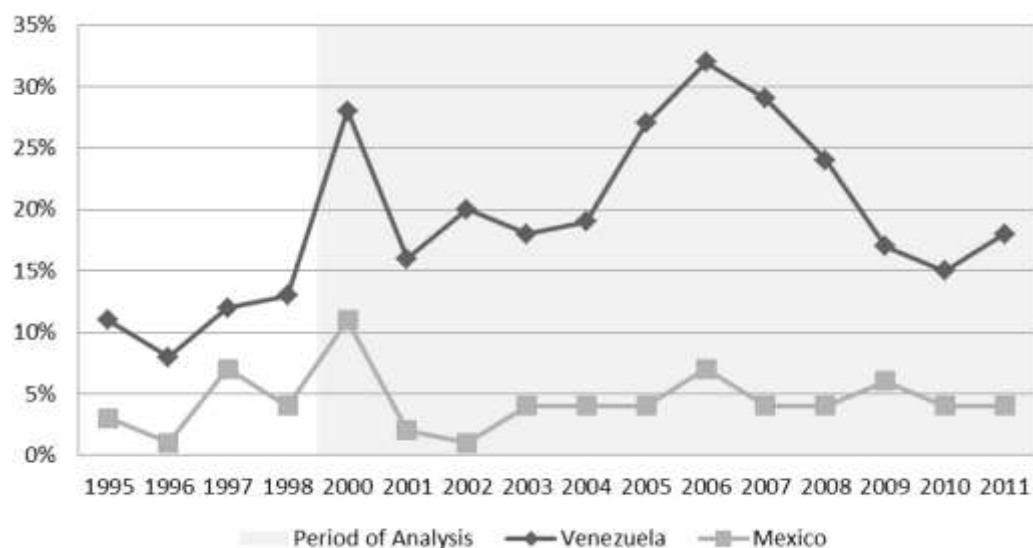
Figure 5.2.11. Mexico and Venezuela: Satisfaction with democracy, Very/Mostly Satisfied (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A102. Data in Table 5.2.6.

The increase in the margin of difference between Mexico and Venezuela on Satisfaction with Democracy is not significantly large when adding respondents who are “very satisfied” with those who are just “mostly satisfied.” However, when looking exclusively at those people who are very satisfied with democracy, the variation is important. Venezuela featured only about 5 percent higher than Mexico on this indicator from 1995 to 1998. However, that difference jumped to around 15 percent in 2000, a margin that continued until 2011, with a spike to close to 30 percent difference in 2006 (Figure 5.2.12 and table 5.2.6). This margin on high levels of satisfaction may be explained by the fact that in Venezuela under Chávez democracy became for many people less of a theoretical issue and more something that had a clear on effect in their personal lives, either from access to services they did not have before, or from the opportunity to participate in initiatives that attempted to increase democratic engagement and improve the quality of life of many, as described at length in Chapter 3.

Figure 5.2.12. Mexico and Venezuela: Satisfaction with democracy, Very Satisfied (%), 1995-2011.



Source: Latinobarómetro (2016), Indicator A102. Data in Table 5.2.6.

Table 5.2.6. Mexico and Venezuela: Satisfaction with Democracy (%), 1995-2011.

		Mexico															
		95	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
Very satisfied		3	1	7	4	11	2	1	4	4	4	7	4	4	6	4	4
Mostly satisfied		19	10	38	17	25	24	16	14	15	20	34	27	19	22	23	19
Not very satisfied		37	51	39	41	40	49	57	53	52	47	28	44	50	42	43	47
Not at all satisfied		33	33	14	34	21	20	24	28	28	27	24	21	21	26	26	26
DK/NA		8	4	2	4	2	5	1	1	1	2	7	4	6	4	4	4
Very/Mostly satisfied		22	11	45	21	36	26	17	18	19	24	41	31	23	28	27	23
Not Very/Not at all satisfied		70	84	53	75	61	69	81	81	80	74	52	65	71	68	69	73

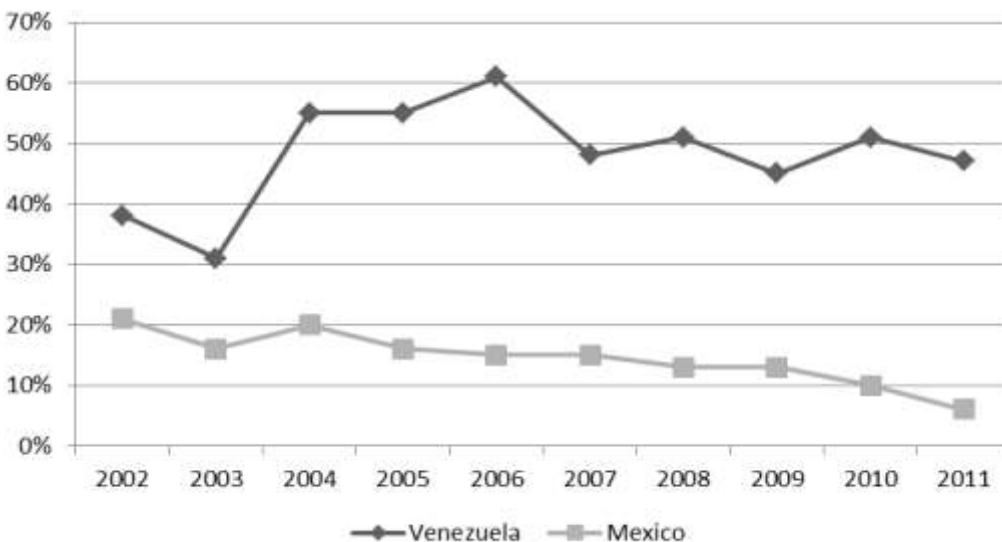
		Venezuela															
		95	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11
Very satisfied		11	8	12	13	28	16	20	18	19	27	32	29	24	17	15	18
Mostly satisfied		25	22	23	22	27	25	20	19	23	29	25	30	26	30	34	27
Not very satisfied		38	41	42	39	36	40	41	34	35	30	29	29	34	37	32	39
Not at all satisfied		22	27	21	25	7	15	13	27	19	11	10	10	16	15	17	15
DK/NA		4	1	1	0	2	4	5	2	4	3	4	2	0	1	3	1
Very/Mostly satisfied		36	30	35	35	55	41	40	37	42	56	57	59	50	47	49	45
Not Very/Not at all satisfied		60	68	63	64	43	55	54	61	54	41	39	39	50	52	49	54

Source: Latinobarómetro (2016), Indicator A102.

*Democracy, evaluated according to Churchill's axiom*¹²⁹

The percentage of people in Mexico who were very in agreement with the statement that “democracy may have issues but is the best system of government” declined from 21 percent in 2002 to 6 percent in 2011. In contrast, in Venezuela this group increased from 31 percent in 2003 to 55 percent in 2004, and it remained in the area around 50 percent until 2011, when the difference was 47 percent in Venezuela vs 6 percent in Mexico (Figure 5.2.13).

Figure 5.2.13. Mexico and Venezuela: Democracy may have issues but is the best system of government, very much in agreement (%), 2002-2011.



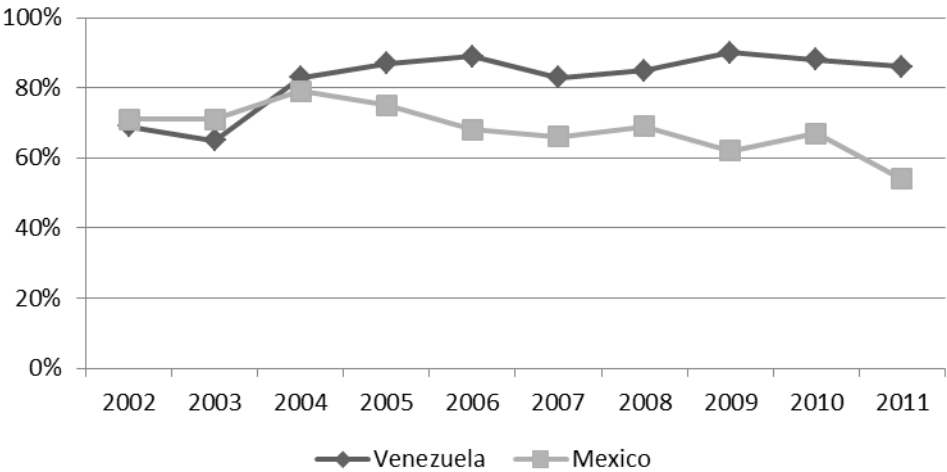
Source: Latinobarómetro (2016), Indicator A107. Data in Table 5.2.7.

The difference between Mexico and Venezuela on this topic continued even when put together those who are very much in agreement with those who are just in agreement. As seen in Figure 5.2.14, the two countries featured very similar values from 2002 to 2004, between 70 and 80 percent. After 2004 Venezuela's numbers continued to be between 80 and 90 percent until 2011, while Mexico's numbers declined to 54 percent in 2011. Thus, while since 2004 a vast majority of Venezuelans believed that democracy is the best system of government, the number

¹²⁹ In 1947 Winston Churchill famously said in the House of Commons that “democracy is the worst form of government, except all those other forms that have been tried from time to time” (Churchill 1947).

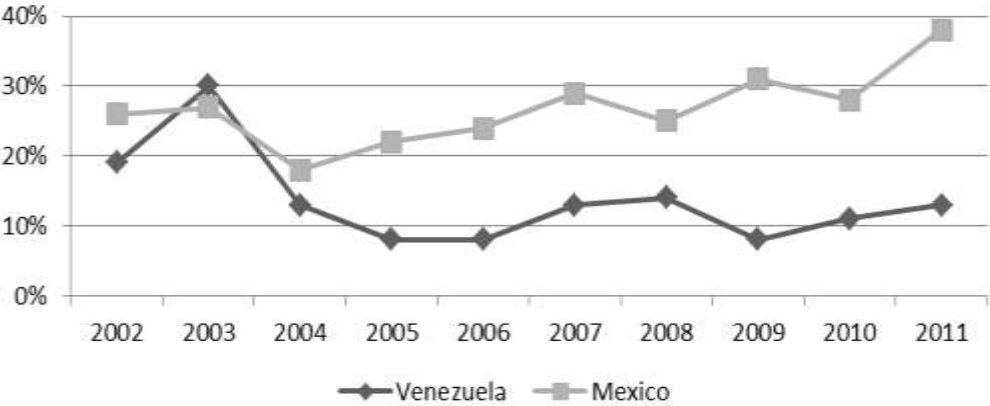
of people in Mexico agreeing with this statement declined markedly by the end of the PAN administrations. These trends seemed to hold during those years without significant changes despite events domestic and global that affected other indicators, which may be a sign of a deeper level of belief on this issue. As expected, the percentage of people who are in disagreement and very much in disagreement with this statement mirrors the percentages of those who agree with it (Figure 5.2.15).

Figure 5.2.14. Mexico and Venezuela: Democracy may have issues but is the best system of government, very much/in agreement (%), 2002-2011.



Source: Latinobarómetro (2016), Indicator A107. Data in Table 5.2.7.

Figure 5.2.15. Mexico and Venezuela: Democracy may have issues but is the best system of government, very much/in disagreement (%), 2002-2011.



Source: Latinobarómetro (2016), Indicator A107. Data in Table 5.2.7.

Table 5.2.7. Mexico and Venezuela: Democracy may have issues but is the best system of government (%), 2002-2013.

Mexico										
	02	03	04	05	06	07	08	09	10	11
Very much in agreement	21	16	20	16	15	15	13	13	10	6
Mostly in agreement	50	55	59	59	53	51	56	49	57	48
In disagreement	20	21	14	20	20	24	22	26	24	31
Very much in disagreement	6	6	4	2	4	5	3	5	4	7
DK/NA	3	2	3	4	7	6	6	7	6	8
Very much/Mostly in agreement	71	71	79	75	68	66	69	62	67	54
Very much/in disagreement	26	27	18	22	24	29	25	31	28	38

Venezuela										
	02	03	04	05	06	07	08	09	10	11
Very much in agreement	38	31	55	55	61	48	51	45	51	47
Mostly in agreement	31	34	28	32	28	35	34	45	37	39
In disagreement	14	18	9	5	6	10	10	6	9	11
Very much in disagreement	5	12	4	3	2	3	4	2	2	2
DK/NA	12	5	3	5	3	4	1	2	2	1
Very much/Mostly in agreement	69	65	83	87	89	83	85	90	88	86
Very much/in disagreement	19	30	13	8	8	13	14	8	11	13

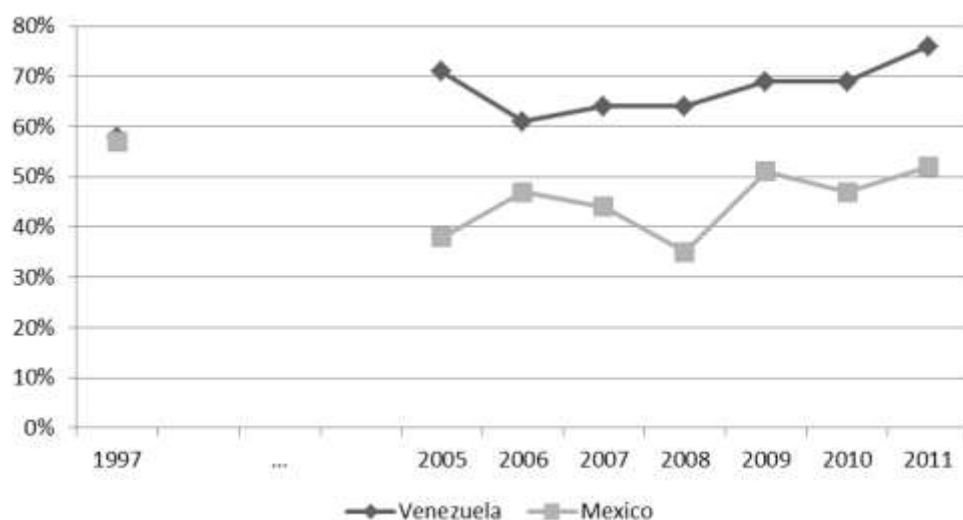
Source: Latinobarómetro (2016), Indicator A107.

Development of Democracy

This indicator is based on the question “how democratic is this country?” which respondents answer on a ten-point scale where 1 is not democratic and 10 means absolutely democratic. The first data point in this category was collected in 1997, and that year both Mexico and Venezuela featured exactly the same numbers when the values were aggregated from the middle to the extremes of the ten-point scale to create “mostly democratic” and “mostly not democratic” categories. The fact that these countries had similar values in 1997 makes it particularly remarkable that the next data point, collected in 2005, shows a 30 percent gap between the two countries on both categories. That difference diminishes and oscillates between 10 and 20 percent in the following years until 2011, when the gap between the two countries is just over 20 percent (Figure 5.2.16).

While it would be useful to have data for the years 1998 to 2004, it is safe to assume that this indicator varied in similar ways to political events in each country as other indicators previously analyzed have. For example, from Table 5.2.6 we know that satisfaction with democracy was particularly high in Mexico in 1997, likely due to the important electoral reforms placed in effect that year, but this indicator dipped considerable between 2001 and 2005 due to disenchantment with the Fox administration.¹³⁰ In the case of Venezuela, looking again at table 5.2.6, satisfaction with democracy presented a moderate increase from 1997 to 2004 with a short spike in 2000 likely the result of the excitement after the election. In 1995 this indicator shows a significant increase possibly as a result of the political and economic stability after the failed coup and the oil stoppage. This may be the reason why between 1997 and 2005 the “development of democracy” indicator dropped 20 percent in the Mexican case, while it increased 10 percent in Venezuela.

Figure 5.2.16. Mexico and Venezuela: Development of Democracy scale, mostly democratic (%), 1997-2011.



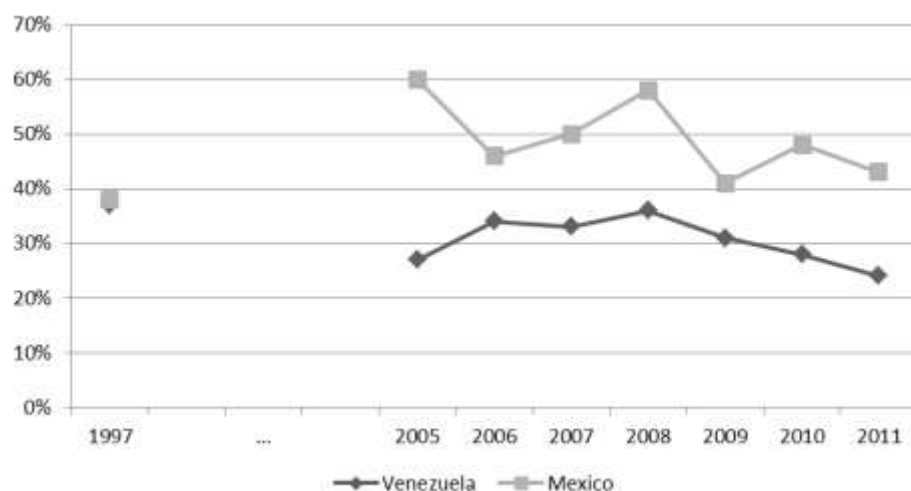
Source: Latinobarómetro (2016), Indicator A112. Data in Table 5.2.8.

¹³⁰ For a more extensive description of these events see Chapter 3, section 3.1.

In 2006 Mexico experienced a ten percent jump in this indicator, at a time in which hopes for consolidation of electoral democracy were high. As described in Chapter 3, unclear results and lack of disposition by the authorities to increase transparency in that year's election damaged the reputation of the electoral authorities and of the democratic system, which is noticeable in the 2008 fifteen percent drop, when only 35 percent of Mexicans who believed their country was mostly democratic (Figure 5.2.16). This number increased to close to 50 percent by 2009, its highest value, where it remained for the rest of the period of study without reaching again the 57 percent mark from 1997.

In contrast, the number of respondents who said that Venezuela was mostly democratic declined ten percent in 2006 to 61 percent, after which it featured a slow but continuous increase until reaching 76 percent in 2011, its highest value from the whole sample. These numbers are a bit more difficult to interpret than the Mexican case. The increase from 1997 to 2005 resembles the support for democracy increased, as explained above. However, this and other indicators show a decline in 2007, likely related to a referendum that proposed to increase and centralize powers on the president, and around 2008 due to the global financial crisis. Nonetheless, these events did not seem to affect Venezuelan's perception about how democratic their country was, indicator that actually continued to increase. This possibly shows that while people disagreed with government at different points on time, the belief that the Venezuelan system was democratic was reinforced by the possibility that a populist president like Chávez continued to be elected, in contrast to the elite-driven but limited democracy of the *punto fijo* era.

Figure 5.2.17. Mexico and Venezuela: Development of Democracy scale, mostly not democratic (%), 1997-2011.



Source: Latinobarómetro (2016), Indicator A112. Data in Table 5.2.8.

Table 5.2.8. Mexico and Venezuela: Development of Democracy scale (%), 1997-2011.

Mexico								
	1997	2005	2006	2007	2008	2009	2010	2011
01 - Not democratic	3	10	6	8	8	4	5	4
2	4	4	4	4	4	3	4	3
3	8	9	7	8	10	5	7	6
4	6	11	7	8	12	8	11	10
5	17	26	22	22	24	21	21	20
6	17	11	13	14	12	13	12	15
7	22	10	14	11	10	14	12	15
8	13	8	11	10	7	13	11	14
9	4	3	4	2	1	4	4	3
10 - Absolutely Democratic	1	6	5	7	5	7	8	5
Mostly No Democratic	38	60	46	50	58	41	48	43
Mostly Democratic	57	38	47	44	35	51	47	52

Venezuela								
	1997	2005	2006	2007	2008	2009	2010	2011
01 - Not democratic	5	5	5	4	6	3	2	2
2	2	2	4	3	3	3	2	2
3	4	5	5	5	4	5	5	2
4	7	5	6	5	7	9	8	6
5	19	10	14	16	16	11	11	12
6	14	5	6	9	12	9	10	12
7	14	7	8	12	11	11	8	13
8	11	7	10	12	12	13	14	15
9	6	5	7	8	6	7	11	10
10 - Absolutely Democratic	13	47	30	23	23	29	26	26
Mostly No Democratic	37	27	34	33	36	31	28	24
Mostly Democratic	58	71	61	64	64	69	69	76

Source: Latinobarómetro (2016), Indicator A112.

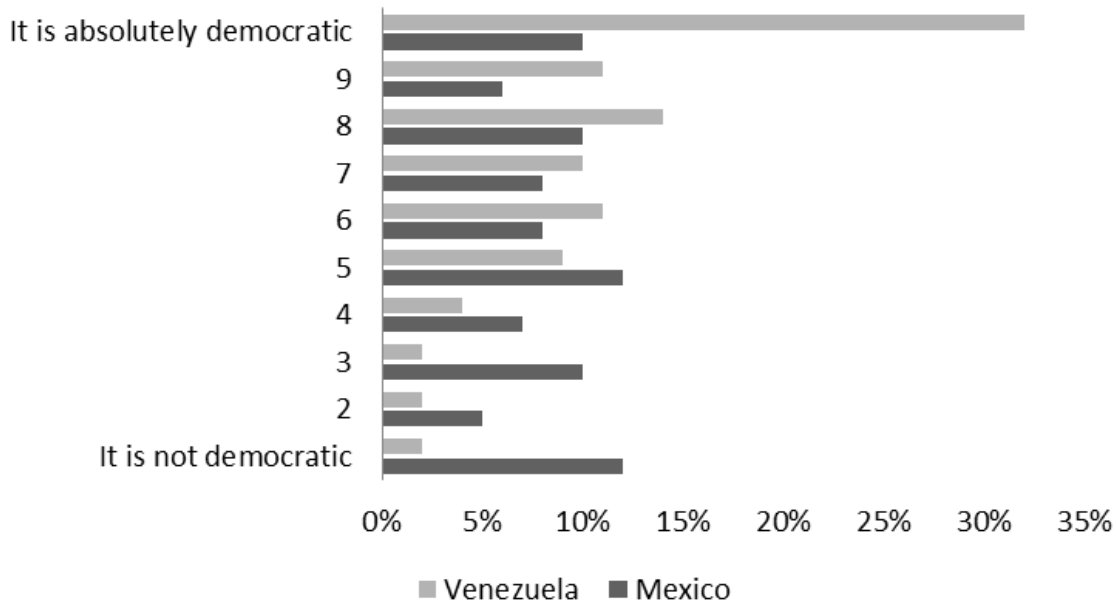
How democratic was the country ten years ago

In 2013 the Latinobarómetro asked respondents how democratic they believed that their country was ten years ago, that is, in 2003. Similar to the Development of Democracy question, answers were based on a ten point scale in which 10 meant “absolutely democratic” while 1 represented “not democratic.” The results for Venezuela and Mexico can be seen in Figure 5.2.18.

It is noticeable that in Venezuela a large proportion of respondents, 32 percent, agreed that their country was absolutely democratic in 2003, while in Mexico people’s answers are distributed fairly evenly throughout the scale. Therefore, as seen in Figure 5.2.19, there is a similar number of Mexicans who in 2013 believed their country was mostly democratic ten years before, compared to those who believed it was not. In contrast, in the case of Venezuela, the large number of people who believed that their country was absolutely democratic is what tilts the balance heavily towards those respondents who agreed that the country was mostly democratic, at 78 percent, versus 19 percent who thought that the country was mostly not democratic (Figure 5.2.19).

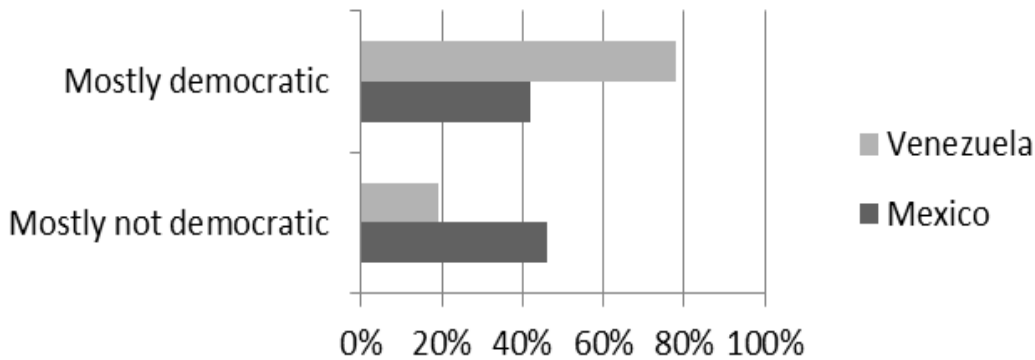
It is relevant to note that in 2003 the question on Democratic Development was not asked, and therefore there is no measure to compare against in order to see the extent to which the perception about democracy in 2003 that people had in 2013 is similar to the perception people had in 2003.

Figure 5.2.18. Where would you place our country ten years ago? (1 to 10 scale, from absolutely democratic to not democratic), response in 2013.



Source: Latinobarómetro (2016), Indicator A125. Data in Table 5.2.9.

Figure 5.2.19. Where would you place our country ten years ago? (% scale, mostly democratic vs mostly not democratic), response in 2013.



Source: Latinobarómetro (2016), Indicator A125. Data in Table 5.2.9.

This question was asked in 2013 and not before, which does not allow us to analyze the evolution of this indicator. Nonetheless, there are some plausible conclusions from the 2013 results. In the previous democratic indicators reviewed in this section, 2003 was a year with

generally low numbers in Venezuela, most likely due to the economic crisis provoked by the oil stoppage and the general strike. After that year, Venezuela's numbers on democratic indicators improve and remain generally good for the rest of the Chávez presidency. This may be the reason why, even though 2003 was a difficult year for Venezuelans, when they looked back in 2013 they may remember that the democratically elected Chávez government had survived a coup d'état which was followed by a decade of mostly normalized, if still contentious, democratic politics.

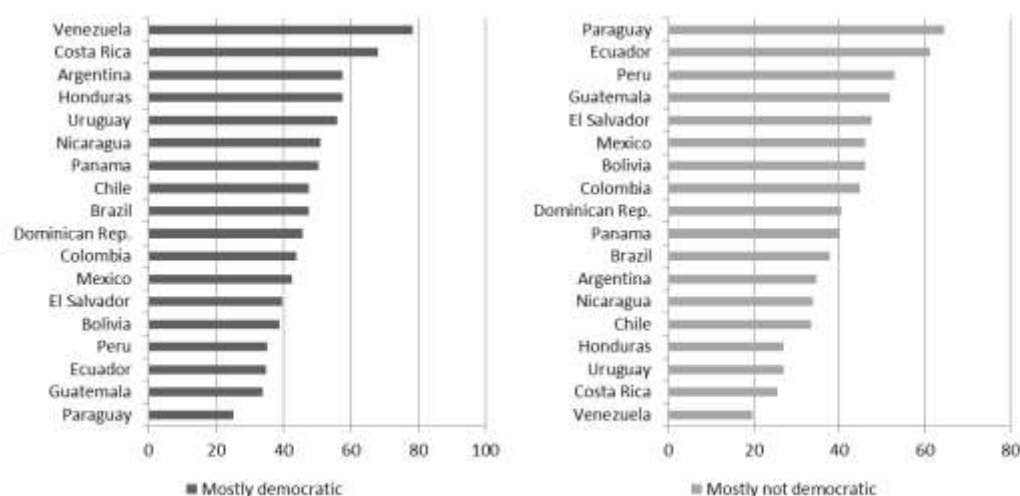
Table 5.2.9. Mexico and Venezuela: Where would you place our country ten years ago? (1 to 10 scale, from absolutely democratic to not democratic), 2013.

	Mexico	Venezuela
It is not democratic	11.9	1.8
2	4.8	2.1
3	10.4	2.2
4	7	4.4
5	11.9	9.1
6	8.5	10.6
7	7.7	10.2
8	10	13.8
9	6.4	11.2
It is absolutely democratic	10	32.5
Mostly not democratic	46	19.6
Mostly democratic	42.6	78.3

Source: Latinobarómetro (2016), Indicator A125.

Mexico's and Venezuela's numbers on this question, compared to those of other countries in the region, clearly show Venezuela as the country where more people in 2013 believed that democracy existed in 2003, while Mexico ranks at two thirds, or twelfth place, out of eighteen surveyed countries (Figure 5.2.20). This comparison helps to dimension the solid sense that Venezuelans had about the strength of their democracy during the Chávez administration, and the weak one that Mexicans had during the PAN administrations despite the political transition of 2000.

Figure 5.2.20. Latin America: Where would you place our country ten years ago? (% scale, mostly democratic vs mostly not democratic), 2013.



Source: Latinobarómetro (2016), Indicator A125. Data in Table 5.2.10.

Table 5.2.10. Latin America: Where would you place our country ten years ago? (1 to 10 scale, from absolutely democratic to not democratic), 2013.

	Arg	Bol	Bra	Chi	Col	CR	DR	Ecu	Sal
1. No Democratic	2.1	4.9	3.5	4.8	5.4	5.2	9.9	9.8	10.7
2	2.1	7.2	5	2.5	5.3	1	4.6	11.7	4.6
3	3.7	9.9	6.3	6	8.2	2.4	7.5	11.8	5.9
4	9.1	8.2	8	6.4	9	5.1	6.5	13.5	10.3
5	17.6	15.8	15	13.7	17	11.7	11.9	14.5	16.1
6	13.8	11.7	11.4	15.3	9.4	9.6	8.2	9.7	12.6
7	15.4	8.4	8.6	13.9	7.4	12.1	8.8	7.9	10.9
8	15.2	8.1	13.5	10	12.1	18.8	6.8	6.6	7.4
9	6.1	3.5	5.1	3.5	5	9.3	4.6	4.9	2.8
10. Absolutely democratic	7.1	7.2	9	4.9	10.1	18.4	17.3	5.8	5.9
Mostly democratic	57.6	38.9	47.6	47.6	44	68.2	45.7	34.9	39.6
Mostly not democratic	34.6	46	37.8	33.4	44.9	25.4	40.4	61.3	47.6

	Gua	Hon	Mex	Nic	Pan	Par	Per	Uru	Ven
1. Not Democratic	6.6	3.2	11.9	7.5	4.9	3.4	4.7	3.5	1.8
2	6.5	2.6	4.8	4.1	3.1	5.1	8.2	1.4	2.1
3	11.2	3.4	10.4	5	5.6	11.7	9.6	3.2	2.2
4	13.1	4.5	7	8.1	7.7	11.8	13.6	6	4.4
5	14.5	13.3	11.9	9.1	18.6	32.6	16.9	12.8	9.1
6	10.3	9.7	8.5	9.7	11.2	7.8	9.7	9.4	10.6
7	5.9	8.8	7.7	9.4	13.1	7.3	9.1	10.4	10.2
8	7.5	7.9	10	9.1	10.7	5.4	7.6	13.5	13.8
9	3.3	4.1	6.4	4.7	4.2	1.5	3.1	7	11.2
10. Absolutely democratic	7	27.1	10	18.1	11.2	3.2	5.6	15.8	32.5
Mostly democratic	34	57.6	42.6	51	50.4	25.2	35.1	56.1	78.3
Mostly not democratic	51.9	27	46	33.8	39.9	64.6	53	26.9	19.6

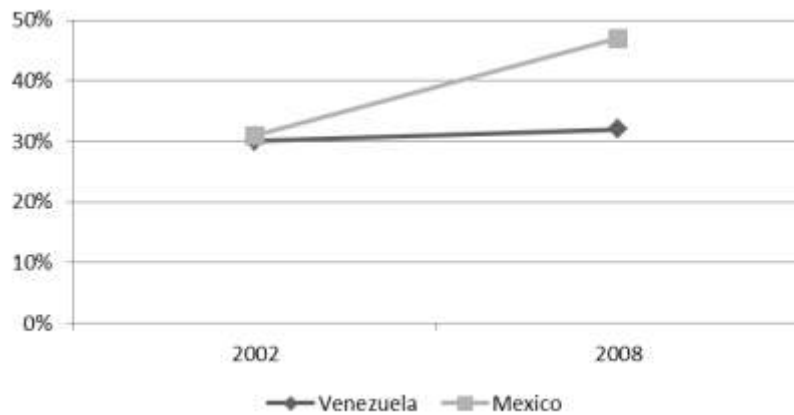
Source: Latinobarómetro (2016), Indicator A125.

Tolerance towards Authoritarianism

Critics of the Chávez administration argued that his supporters would be willing to favor an increasingly personal authoritarian regime in exchange for favors received from the government. As discussed in Chapter 3, the president's defeat in the December of 2007 referendum is an example of the support for democracy in Venezuelans, including a majority of Chavistas, who voted against giving more power to Chávez.

Nonetheless, Figures 5.2.21 and 5.2.22 show in Venezuela in 2002 and 2008 there was a constantly low tolerance for authoritarianism, while in Mexico such tolerance increased.

Figure 5.2.21. In case of difficulties: President should not be limited by what the law says, Very/In agreement (%), 2002-2008.



Source: Latinobarómetro (2016), Indicator A404. Data in Table 5.2.11.

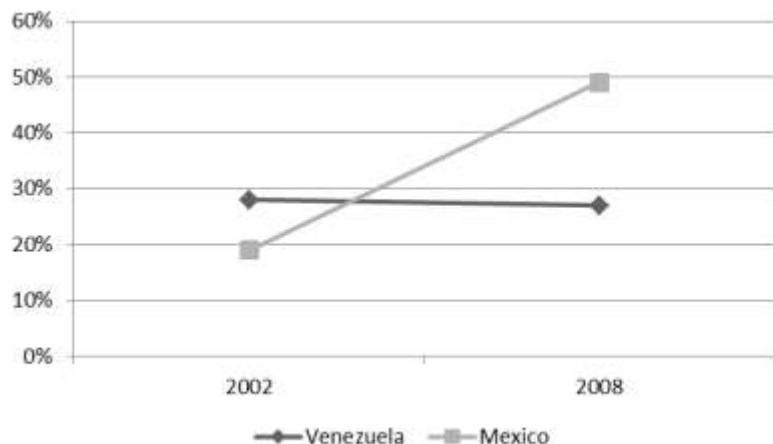
Table 5.2.11. In case of difficulties: President should not be limited by what the law says, Very/In agreement (%), 2002-2008.

	2002	2008
Mexico	31	47
Venezuela	30	32

Source: Latinobarómetro (2016), Indicator A404.

In particular, the tolerance that Mexicans had for above-the-law presidential powers went from 32 to 47 percent in those six years, while during the same period they were 30 percent more comfortable with the idea of the government using force to establish order.

Figure 5.2.22. In case of difficulties: President should bring order through the use of force, Very/In agreement (%), 2002-2008.



Source: Latinobarómetro (2016), Indicator A405. Data in Table 5.2.12.

Table 5.2.12. In case of difficulties: President should bring order through the use of force, Very/In agreement (%), 2002-2008.

	2002	2008
Mexico	19	49
Venezuela	28	27

Source: Latinobarómetro (2016), Indicator A405.

This change in Mexico's public opinion is likely to be influenced by the violence sparked by the war on drugs started by president Calderón in 2006 in which over 70,000 people died, as described in Chapter 3. Nonetheless, these numbers reflect a weakening of democratic values that makes democratic consolidation difficult.

CONCLUSIONS FOR CHAPTER 5

While Chapter 3 describes narratively the causal processes through which the hypotheses advanced in this project hold in the analyzed cases, this chapter presents qualitative statistical evidence supporting the existence of the changes described in those hypotheses. Therefore, the conclusions in this chapter focus on the qualitative outcomes that demonstrate the causal impact, as opposed to the description of the causal relationship, which is described at length in Chapter 3. Chapter 6 brings all this information together to assert the final conclusions of this study.

The Latinobarómetro data show that during the presidency of Hugo Chávez indicators related to social capital improved, supporting the first hypothesis of this project, which suggests that increases in participation promoted through government policies have a positive impact in components of social capital such as trust, engagement in networks and collective action, social inclusion, and political empowerment. As per the literature reviewed in Chapter 1, it is expected that higher participation in public programs and initiatives produces an increase in political participation, an increase that is evident in the data analyzed. These outcomes support the claim that social capital increased in Venezuela during the Chávez administration.

As described in the theoretical framework in section 5.1, participation in public programs and initiatives also has a positive effect on democratic values such as trust in government and support for democracy. These indicators for the period of the Chávez presidency do not support arguments stating that a majority of Venezuelans believed that they were living under a dictatorial regime during that period. On the contrary, these indicators position Venezuela as one of the countries with top rankings in democratic values in the region during the period of analysis.

This project also suggests that clientelism operates in opposite ways from participation. That is, clientelism does not provide people venues to actively seek change, but instead it increases the perception that the existent venues for change are rigged and that this will not change independently of the party in power. This situation produces disenchantment about democracy, and a form of inter-community competition that weakens social capital. The Latinobarómetro data for Mexico during the PAN administrations support these hypotheses, which expected that the indicators related to social capital and political participation would decline due to the continuation of clientelism in this country after what was expected to be a significant political transition in 2000. In addition, this project hypothesized that there would be a negative impact in indicators related to democratic values in Mexico, which it did to the extent of positioning it among the lowest ranked countries during the period analyzed in this study in some democratic indicators.

Chapter 6 will present a discussion that will incorporate the narrative evidence about the politics and policies of Mexico and Venezuela presented in Chapter 3, the quantitative macroeconomic and human development information of Chapter 4, and the qualitative social capital and democratic values assessment discussed in this chapter, in order to establish the final conclusions for this project. Given the dramatic negative economic changes that took place in Venezuela after the period studied here, Chapter 7 serves as an Epilogue describing such changes, their political impact, and how some of the indicators analyzed in this chapter were affected, with a discussion on how that information may affect the conclusions reached in this study.

6. Conclusions: Neoliberal and Participatory Experiences Compared.

This study makes a comparative analysis of two contemporary models of political, social and economic development: On the one hand, neoliberal top-down national organization, which is criticized for depriving workers and the poor of the material benefits of the modern economy and of opportunities to participate politically in meaningful ways to try improve their lot. On the other hand, advocates of participatory democracy claim it gives those deprived sectors an opportunity to participate in making decisions that affect their lives and in sharing more equally the benefits of the economy. This project assesses these claims by contrasting experiences of Mexico and Venezuela in recent years.

Since the 1980s, the neoliberal economic paradigm has dominated the globe. In some Latin American countries, such as Mexico and Venezuela throughout the 1990s, this paradigm was implemented through clientelist structures that deprived people from meaningful political representation but provided key groups with gifts, services, and political access. The reduction of the state roles and resources under neoliberalism decreased the funds that could be distributed among the various political clienteles, mostly lower and middle class, who at the same time were bearing the burdens of neoliberal policies. Dissatisfied, they demanded policies to reduce poverty and inequality, and to increase democratic access. They voted in 1998 in Venezuela, and 2000 in Mexico, for presidential candidates representing departures from the previous political systems, who promised to achieve this. In Mexico, the National Action Party (PAN) governed for twelve years, continuing the neoliberal economic model, implementing a large conditional cash transfer program to alleviate poverty, and allowing for clientelism to continue at the local

level. In Venezuela, Hugo Chávez implemented an economic model in which the state played a larger role than before, promoted social policies on the basis of participatory democracy principles, and alienated the opposition through fiery rhetoric and increasing centralization of political power and resources.

6.1 Key Findings

Participatory policies macro-economic and human development performance

One of the main criticisms that proponents of neoliberal economics make about participatory policies of the type implemented by Hugo Chávez in Venezuela, such as increased spending on community-based social services and on cooperative enterprises, is that they are likely to become part of a larger statist approach that will result in market inefficiencies, and therefore in low economic performance and increased poverty and inequality. They suggest that if it is necessary for the state to engage in poverty alleviation, it is optimal for this to take place through temporary and market friendly incentives, such as conditional cash-transfer (CCT) programs of the type adopted by the PAN administrations in Mexico.

In Chapter 4 of this study the data demonstrate that on macro-economic indicators and on human development improvements, the two countries achieved similar results. That is, the inward-oriented economic policies in Venezuela, supported by a large increase in social spending during the Chávez years, did not underperform the PAN administrations in Mexico on either heading, a negative outcome neoliberal advocates had predicted. At the same time, the data show that the Venezuelan model did not perform significantly better than the Mexican case either, qualifying a prediction by some proponents of participatory policies.

The reasons Venezuela's economic performance turned out to be similar to that of Mexico lies primarily in two circumstances. First, the economies of Mexico and Venezuela benefitted from record high oil prices, a key industry in the economy of both countries. And second, despite the political rhetoric of Chávez and his opponents that the state was solely in charge of economic activity and that it ignored market factors, Chavista practice actually allowed productive roles for both state and private-sector producers. Indeed, while it did centralize important aspects of the economy, most significantly oil, it allowed the private sector freedom to operate to the point that it grew faster than the public sector during the Chávez presidency (Johnston and Kozameh 2013).

Among other important indicators in macro-economic performance, unemployment is of key significance in the long-term economic stability of the majority of the population. Mexico's unemployment rate at the beginning of the PAN presidency was low at 2.5 percent, and it doubled to 5.2 percent in the last three years of that period. However, the underemployment average during that time was around 9 percent, representing a significant portion of the population. In Venezuela, the Chávez administration started under a more difficult situation in the area of employment, but achieved significant improvements. The unemployment rate decreased from 13.8 percent in 2000 to 7.9 percent in 2012. And in terms of underemployment, in 2000 the country had 53.7 percent of the employed population making a living in the informal sector, with only 46.3 percent in the formal sector. By 2012, the numbers for informal employment decreased by almost a quarter to 40.9 percent, while formal employment increased by over a quarter of what it was in 2000 to 59.1 percent.

These unemployment and underemployment shifts reflect policy decisions. Granted that an important part of the formal employment increase that took place in Venezuela was the result

of higher government spending, it is also true that part of the economic development promoted by the government included incentives to create stable working conditions for labor. In the Mexican case, on the contrary, the neoliberal model included weakening of labor laws in order to make labor markets more flexible, effectively incentivizing informal labor. The neoliberal argument is that this flexibility would be an incentive for businesses and result in a stronger economy, and therefore in more employment. As we have seen, this was not the case. In contrast, Venezuela did not underperform Mexico economically, which therefore weakens the argument that policies seeking fuller employment that are different to the neoliberal prescription would negatively affect the economy. Thus, the improvements in employment and underemployment in the Venezuelan case show that positive results can be achieved in these indicators through the participatory model.

Another relevant finding in the macroeconomic analysis of Mexico under the PAN administrations is that from 2000 to 2011 the average contribution of remittance inflows to GDP was of 2.19 percent. This is equivalent to more than 90 percent of the 2.3 percent average GDP growth experienced in Mexico during the same period. The extent to which the flow of remittances impacts the Mexican economy is therefore far from negligible. This raises questions about how to interpret a country's economic growth, when this takes place at the same time than a migratory crisis caused by policies that caused such crisis, such as the end of agricultural subsidies, the opening to U.S. farm producers, and the increased imports of subsidized products from abroad.

With respect to human development, the Venezuelan model shows that its increase in social spending paid off in improving situations of extreme poverty, inequality, deficient education, and health disparities. The strength of the Venezuelan performance on human

development indicators is hard to deny, featuring faster growth in the Human Development Index (HDI) than any other Latin American country during the period 2000-2013, which helped it to catch up from its dismal performance during the 1990s. Nonetheless, the Mexican CCT model also contributed to improvements in human development indicators, even if not at the same pace as Venezuela. Both models have aspects that require attention particularly in relation to their long-term sustainability due to the resources needed for their continuation. The Venezuelan model of increasing infrastructure and services through a participatory model faces challenges due to the dependence of key programs on revenues from oil for their financing. In contrast, the Mexican model is limited by a deficient infrastructure in health and education, given that cash incentives cannot have much of an impact if people do not have a hospital or a school to attend. Nonetheless, these results support the thesis that both participatory and market-friendly approaches to improve human development can yield results if they are run effectively at both the national and local level.

If participatory policies do not seem significantly better at achieving development, what is the point of having them? According to the evidence found in this study, which supports the literature on this topic discussed in chapter 1, the main difference that these policies offer is the impact that they have in dismantling clientelism and strengthening social capital and democracy.

Participation strengthens social capital and clientelism hinders it.

Social capital, defined as “features of social life—networks, norms, and trust—that enable participants to act together more effectively to pursue shared objectives” (Putnam, Leonardi, and Nanetti, 664-65), became stronger in Venezuela and weaker in Mexico during the period of analysis. The trends on generalized social trust, a key component of social capital, in

Mexico and Venezuela during the analyzed period are clearly divergent, as shown in Chapter 5. While Mexico experienced a sharp decline in generalized trust from 34 percent in 2000 to 23 percent in 2011, Venezuela featured an average increase from 15 percent to 25 percent in 2011. Data from 2002 to 2011 shows an increase in trust in government in both countries, with this indicator performing higher in Venezuela than in Mexico by an average of about fifteen percent. This is significant considering that in 1996, the last data point on this question before 2002, placed both countries at the same low level of about sixteen percent of respondents trusting the government some or a lot in both countries.

Besides trust, the data found in the Latinobarómetro for networks and collective action, key components of social capital as well, shows that in Venezuela more people participated in political, social, and leisure groups than in Mexico, with the exception of religious groups. This may be because, as data from 2007 to 2011 shows, more Venezuelans than Mexicans believed that participation in social and political organizations is part of the role of a good citizen, by an average of four to three.

Among the indicators that help understand if the identified social capital is of the type that is positive for democracy, key are those related to social inclusion. The question used to assess the importance of social inclusion asked respondents if they believed that their country was governed by the powerful for their own benefit, or was it governed for everyone's wellbeing. On this aspect, from 2004 to 2011 an average of 76 percent of Mexicans believed that their country was governed by the powerful to serve their own interests, while an average of about 50 percent of Venezuelans said so. In contrast, during those years Venezuelans numbers were twice those of Mexicans believing that their country was governed for everyone's wellbeing, with averages of 43 to 21 percent, respectively.

Related to this, in 2013, the year after the end of the period of analysis, 21 percent of people in Venezuela believed that the most essential characteristic of democracy was for the government to reduce the differences between rich and poor, as compared to 13 percent in Mexico. These numbers are consistent with what the literature and interview data suggest: participation in programs expanded the number of people who believed that reducing poverty should be a governmental priority, as well as the number of those who thought that the government was doing something to respond to this demand. These results also support the notion that the social capital developed through participatory programs in Venezuela is of the *bridging* sort, the type that promotes community solidarity and is positive for democracy, as opposed to the *bonding* sort, that promotes trust towards the inside of the small group and distrust towards the outside and society in general.

Participation strengthens democratic values, and clientelism hinders them.

Democratic values became stronger in Venezuela and weaker in Mexico during the period of analysis. As described in chapter 3 and demonstrated through survey data in chapter 5, the continuation of clientelism in Mexico under the PAN and the promotion of participatory policies in Venezuela under Chávez, are significantly responsible for the variation in democratic values between these two countries. In Mexico, clientelist policies continued to be the law of the land at the local level, despite the federal government claims to the contrary. This increased people's perception that the democratic transition had not made a significant difference in that key demand, and that therefore democracy was not the mechanism that they hoped would make it possible to improve things. In contrast, the implementation of participatory policies in Venezuela provided venues for the meaningful inclusion of traditionally marginalized sectors

into strategies for improvement of their livelihoods. These types of policies dismantled the clientelist structures of the past by having the federal government work directly with the people, excluding and disempowering the parties that had concentrated power under the Punto Fijo agreement. This strategy had the disadvantage of concentrating power in the executive. Nonetheless, it showed everyone in the country that the democratic system functioned well enough to produce dramatic changes when enough people sought them through electoral means. This, in turn, strengthened the democratic values of Venezuelans.

The mechanisms for variation in democratic values discussed in chapter 3, contributed to the results discussed in chapter 5. In that chapter, support for democracy measured as the percentage of people who believe democracy is preferable to any other form of government, increased from 60 to around 80 percent in Venezuela during the period of study, while in Mexico it experienced a brief increase from 45 percent in 2000 to 63 percent in 2002, reflecting the post-political transition optimism, but it declined after that year to 40 percent by 2011. During those years, the number of people who believed that it was the same for them whether the regime was democratic or not roughly doubled in Mexico while it was halved in Venezuela. These results positioned these countries as first and last respectively among Latin American nations on this question in 2011.

The belief that democracy is the best system of government, even if it has some faults, is another indicator that shows the different trajectories in support for democracy that Mexico and Venezuela experienced. From 2002 to 2011, the percentage of people who were in agreement, or very much in agreement with this statement, increased in Venezuela from 70 to roughly 90 percent, while in Mexico it decreased from the same 70 to almost 50 percent.

From 2006 to 2009 between 70 and 85 percent of Venezuelans believed that participating in elections was the most effective way to change things, compared to only fifty percent of Mexicans who believed so. In contrast, the number of people in Mexico who thought protest was a more effective channel for change increased during that period from 13 to 18 percent, while in Venezuela it remained unchanged at about ten percent. Even more telling is the difference in the number of people who believed that it is not possible to change things, a percentage that in Mexico ranged between 17 and 21 in those years, in contrast to the decrease from 9 to 5 percent in Venezuela. These numbers positioned Mexico as the third highest Latin American country on this question in 2009, and Venezuela as the lowest. The years for these data points feature important events in both countries, described at length in chapter 5. Among those events, Mexico had gone through a highly conflictive election in 2006 that left many people with a diminished trust in the electoral institutions and the system overall. In contrast, in 2007 the Chávez administration lost a referendum for the first time, which in the eyes of many reinforced the belief that the democratic institutions were fair and outcomes were respected, even when they went against the president.

6.2 Related findings

Clientelism's differences at national and local levels

In chapter 1 clientelism was defined as a “combination of particularistic targeting and contingency-based exchange” (Hicken 2011, 289). The main interest of this study, in relation to clientelism, was to identify the extent and mechanisms in which participatory democracy policies were able to dismantle it and replace it. Nonetheless, this project has also shown that, as discussed by Fox (2012), clientelism not only can survive, but it can even thrive under

democratic conditions. This finding identifies recommendations to reduce clientelism even without the implementation of participatory programs.

There is a difference in the way clientelism operates at national and local levels. As described in chapter 2, before their political transitions of 2000 and 1999 respectively, Mexico and Venezuela were examples of clientelist systems organized and managed at the national level. However, as shown in chapter 3, during the PAN presidencies Mexico shifted towards a system in which clientelism continued to operate efficiently at the local level, even though at the national level the federal government asserts that it has changed and displays intentions to curb clientelism, mostly without implementing meaningful enforcement mechanisms. The federal government blames the persistence of clientelism on local level officials, but there are specific measures that can be taken at the national level to curtail it.

The key national-level factors that allow for clientelism to persist, according to the evidence gathered in this study, are impunity and lack of accountability. It is important that federal social programs be transparent in their operations and make an effort to educate the public about their rights, the way the program Oportunidades did in Mexico. However, all this is largely useless if there is not real accountability to correct instances of clientelism, and to prosecute in those cases in which the law has been broken, as in the case of vote buying. Clientelism not only reduces the effectiveness of the program, but it contributes to promote a cynical attitude about government and about democracy.

Universal coverage is often seen as an effective remedy against clientelism. However, as shown in this study, there is still room for clientelism in programs that offer universal coverage, if the conditions at the local level allow for intermediary agents to exercise discretion in the provision of benefits. Nonetheless, it is easier to demonstrate that discriminatory treatment is

taking place when individuals can demonstrate eligibility for a program, than when, even if eligible, there are other unclear bureaucratic reasons for which they are not receiving the benefit, such as the cap on the number of beneficiaries in the program Oportunidades. This cap provided enough discretionary authority to local promoters to let some people into the program and keep others out without a clear indication of what criteria would determine inclusion. It is not always possible to provide universal coverage, and targeted benefits seem a useful way to direct resources to those who needed the most. This finding suggests that if a program is to be implemented in a targeted way, it will lend itself less to clientelist manipulation if the definition of the targeted covered population is clear, simple, and objective in order to provide universal coverage within the defined cohort of beneficiaries. Moreover, the mechanisms for inclusion in the program need to be direct and non-mediated.

Autonomy of beneficiaries and other social actors under participatory policies

The case of Venezuela demonstrates that there are civil society actors who were part of making the political transition happen and who after the transition, have supported the implementation and expansion of participatory democracy initiatives, while also remaining skeptical about the government's centralizing tendencies. This relationship between organized civil society and a government that attempts to deepen democracy and implement participatory programs is complicated, given that the government needs to be able to play a significant role that is often seen as not appropriate for the state, while doing it in a way that strengthens efforts for autonomous organization.

Participatory programs have the possibility to allow for the transforming energy of the existent civil society to be used and expanded, taking advantage of their experience, lessons

learned, and networks. In the case of Venezuela, it is clear that programs requiring participation were implemented more easily in communities where there were actors with previous organizing experience. However, the autonomy and different perspectives of those groups also posed at times a challenge to the government and its centralizing tendency, a challenge nonetheless needed to strengthen democracy.

This positive influence of civil society upon government may take place beyond participatory initiatives. An example of this is the experience of close collaboration between civil society organizations and Pablo Salazar Mendiguchía, the first non-PRI governor in the State of Chiapas, in the operation of Oportunidades. As described in chapter 3, they did so in ways that drastically reduced clientelism and increased accountability. Nonetheless, this case is an exception resulting from the election of a governor with past experience in civil society. In fact, this example rather, than demonstrating clientelism's possible positive influence on social capital and democracy, shows a situation in which the local-level participatory implementation of a national policy was able to break the dynamic of local clientelism that was still seen in Chiapas and other places in Mexico during the PAN administrations.

Accountability under participation and clientelism

The Venezuelan experience shows a contradictory dynamic of low accountability at the national level and high accountability at the local level, a dynamic that is the opposite of the Mexican case. At the national level, Venezuela does not count on enough sophistication and planning to produce data in a disaggregated form on a regular basis, nor does it have mechanisms to make it publicly available, all of which would lead to increased transparency and

accountability. This may be the result of lack of expertise and infrastructure, lack of political will, or a combination of both.

However, at the local level, there was during the Chávez administration a constant effort to strengthen structures of what the government called *contraloría social*, which refers to accountability performed and led by the community itself. And while Venezuela's national judicial system is weak, impunity was less common through this form of community accountability. This is in part because the decision-making mechanisms were local and faster, and because the punishment most of the time consisted of withdrawal or retention of government benefits.

In Mexico, transparency and accountability in the program Oportunidades featured the opposite dynamic: at the national level there were vast efforts to provide independent evaluations and to develop systems for the public to demand accountability. However, there was also pervasive unresponsiveness at the local level that created a situation in which those operating the program in communities could do so openly in clientelist ways without fear of being punished, and community members felt discouraged to complain given the extremely low rates of prosecution.

The fact that in the Mexican case accountability and transparency in social programs were stronger at the national level and weak at the local level, while in Venezuela it was the reverse, is not necessarily characteristic of the system implemented in each place. That is, a targeted redistributive program of the type implemented in Mexico could be implemented with stronger punitive systems to deter clientelism, though it could hardly use the threat of *withdrawing the carrot* as in the Venezuelan cooperatives case, given that those who benefit from clientelism are not the beneficiaries of the program. And on the other hand, the fact that a

social program is run in a participatory way does not mean that there cannot be enough sophistication to collect disaggregated data that can later be made available to the public and independent evaluators in order to increase the programs' accountability at a national level. It does take, however, enough political will to do it, and a certain level of statistical sophistication to design instruments to collect data that can work under the challenging conditions of having community volunteers running significant portions of the programs.

7. Epilogue: Venezuela After Chávez

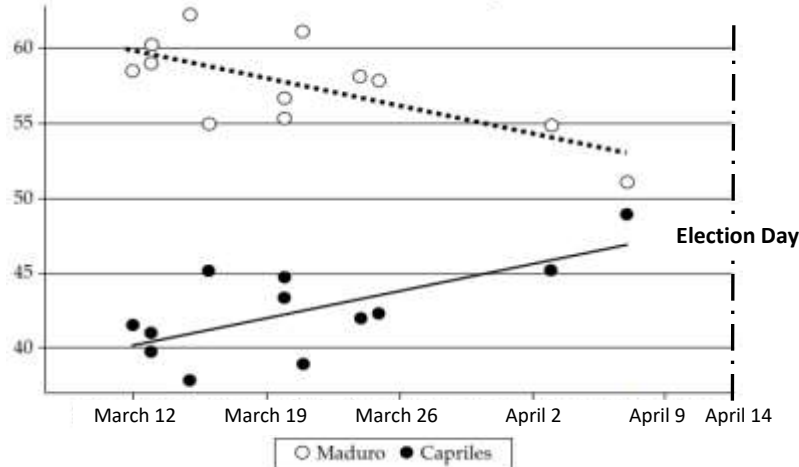
As discussed in Chapter 3, Hugo Chávez died in March of 2013, and Vice-president Nicolás Maduro assumed the position of interim president of Venezuela, winning a special election to this office in April of the same year on the promise to continue his predecessor's policies. During the four years that he has been in office, Venezuela has entered a deep economic crisis marked in particular by shortages of food and medicines. The reasons for this situation are varied and debated, but there is no doubt that the unprecedented collapse in prices of oil in 2014 has been key in deepening the crisis. As a result, some of the human development successes of the Chávez administration have started to erode. Moreover, social capital may also be declining fast, as shown in one of its key components, generalized trust. Trust in government is also declining, as it would be expected. Nonetheless, Venezuelans support for democracy continue to be among the highest in the region, demonstrating that the improvements on this topic achieved during the previous decade remain strong even in times of crisis.

7.1 Political Conflict

Maduro's ascendance as interim president after Chávez death on March 5, 2013 was challenged by the opposition. They argued that Maduro was not legally vice-president then, given that Chávez had been sick and out of the country and had not been sworn into office in person for his new term (Carroll and Lopez 2013), which officially had started on January 10, 2013 (Pretel and Buitrago 2013). The courts disagreed and upheld Maduro as legitimate interim president, and special elections were scheduled for April 14, just over a month after Chavez's death as mandated by the constitution. The opposition waged a strong electoral campaign, ironically casting Maduro as too different from Chávez and not qualified to be president. In

contrast, Maduro ran for president by heavily highlighting his affiliation to Chávez and basically asking people to vote for him in honor of the deceased president (Forero 2013). This strategic battle produced better results for the opposition, which in one month closed a gap of 20 percent in the polls (Figure 7.1).

Figure 7.1. Venezuela: 2013 Presidential elections voting polls.



Source: Sagarzazú (2014, 319).

The official results of the 2013 presidential election show Maduro as the winner for a margin of just 1.5 percent of the vote, becoming the closest Venezuelan election since 1968. This prompted opposition candidate Henrique Capriles to demand a recount of the votes, claiming that there were irregularities during the electoral process. On Election Day the National Electoral Council (CNE) performed an audit of a random selection of 54 percent of the vote, comparing the electronic records against the paper tally, and found no discrepancies, so it certified the election as valid and allowed Nicolás Maduro to be sworn as president. This angered the opposition, which demanded a full recount. This recount took place and the results published two months after the elections showed a difference of just 0.02 percent from the original electronic results. Capriles refused to accept the results of the audit, demanding a line-by-line review of electoral registry books, and vowing to challenge the results in the Supreme

Court. The political conflict just continued escalating, with the opposition on the one hand challenging the legitimacy of the government and organizing continuous protests, and the government accusing the opposition of promoting the post-electoral violence that took place in various cities, and using its majority in the National Assembly to pressure opposition legislators to recognize the Maduro administration in order to keep chairmanships (Sagarzazú 2014, 321).

During the following years, the Maduro administration continued to engage in polarized political confrontation with the opposition, such as arresting Chacao mayor and leader of the *Voluntad Popular* Party Leopoldo López during a four-month wave of violent protests in 2014, sentencing him to 14 years in prison. As a result of those confrontations 43 people died and the government arrested over 3,000 people (Faria 2015; Silva and Chinae 2014). Even members of the left have criticized the Venezuelan president for falling into the opposition's provocations, and for focusing too much energy in political battles while regular people are hurting economically every day (Harris and Kaufman 2016).

The economic and political crisis had a dramatic impact in the 2015 parliamentary elections. For the first time since Chávez won office in 1999, the opposition not only won a majority in parliament, but with support of three indigenous non-affiliated representatives, it seemed initially that they had reached the supermajority needed to make constitutional changes. At the end these numbers were reduced, as three candidates of the opposition were found to have engaged in electoral fraud. Nonetheless, the political blow to the Maduro administration was significant. Contrary to the opposition's pre-election warnings of an authoritarian backlash if they were to win, President Maduro recognized immediately his party's defeat. This helped to strengthen the democratic institutions in the country, given the fear in some that Chavistas would not concede when they were to suffer their first significant electoral loss.

The director of polling firm Datanalisis, fierce critic of Maduro and Chavismo, predicted Maduro's defeat in 2015 (Sonneland 2015), but explained that while the president's polling numbers were in the low 20s nearing the election, public approval of the Chávez presidency was still at 58 percent (EFE 2015). This may be a sign that in general a majority of Venezuelans still perceived favorably the policies of Chavismo, and were mostly dissatisfied due to the economic crisis and Maduro's own political failures.

The opposition's majority in the National Assembly soon used its newly acquired power to challenge the government. One of their first actions was to pass an Amnesty bill that would have exonerated dozens of members of the opposition convicted during the violent protests of 2014 (BBC News 2016). However, the Supreme Court rejected the law arguing that it was unconstitutional on its reach, as well as inadmissible for pardoning individuals who had already benefitted from a previous amnesty for their participation in the 2002 coup attempt. Angered by this, the opposition in the National Assembly initiated proceedings for a recall vote against Maduro, but the CNE claimed it had found too many instances of fraud in the collected signatures; hence the request was dismissed. In October 2016, the opposition moved to initiate an impeachment effort, and the National Assembly approved a measure declaring the existence of a "constitutional breakdown" and a "continued state of coup" led by Maduro. At the same time, the opposition began a second round of signature collection as part of the recall effort (Romo, Ansari, and Brocchetto 2016). Right after that the government and the opposition agreed to initiate a dialogue mediated by Pope Francis, though the opposition still vowed to continue their protest campaign in order to pressure for a recall vote to take place (Crooks 2016).

In sum, while the opposition has not stopped challenging the government through all forms of political and social pressure since Chávez's death, the Maduro administration has also

continued the escalation of the conflict. All this has just increased a political crisis that has not facilitated for all political actors to address the challenges presented by a period of high economic instability.

7.2 Economic Challenges

During the first four years of the Maduro administration, many social and economic indicators declined dramatically. The most significant cause for this was the collapse in oil prices that started in June of 2014 when the price per barrel of oil was \$102, and that reached its lowest point at \$27 per barrel in January of 2016, remaining at under \$50 per barrel since then. This represented a 76 percent loss in the value of this critical commodity in only 20 months (Figure 7.2).

Figure 7.2. Oil Prices (in USD) 1996-2016.

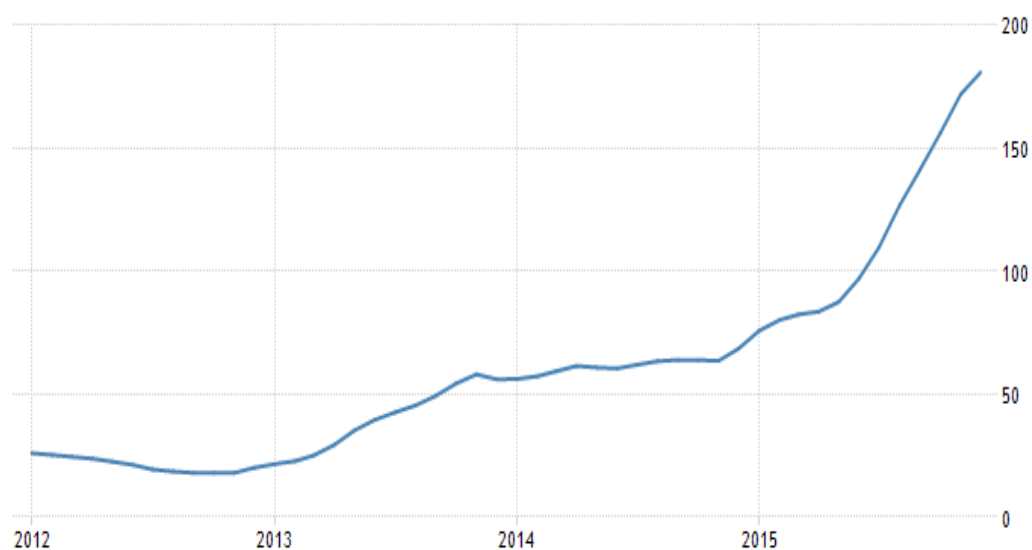


Source: EIA (2017).

This decline in oil prices hit the Venezuelan economy very hard. GDP per capita suffered a 5.3 percent contraction in 2014 and another of 5.7 percent in 2015 (Weisbrot 2016b). This reduction greatly reduced the income the Venezuelan government could use to pay for the social and economic programs of the Misiones Bolivarianas, which the poor and working classes in particular rely on.

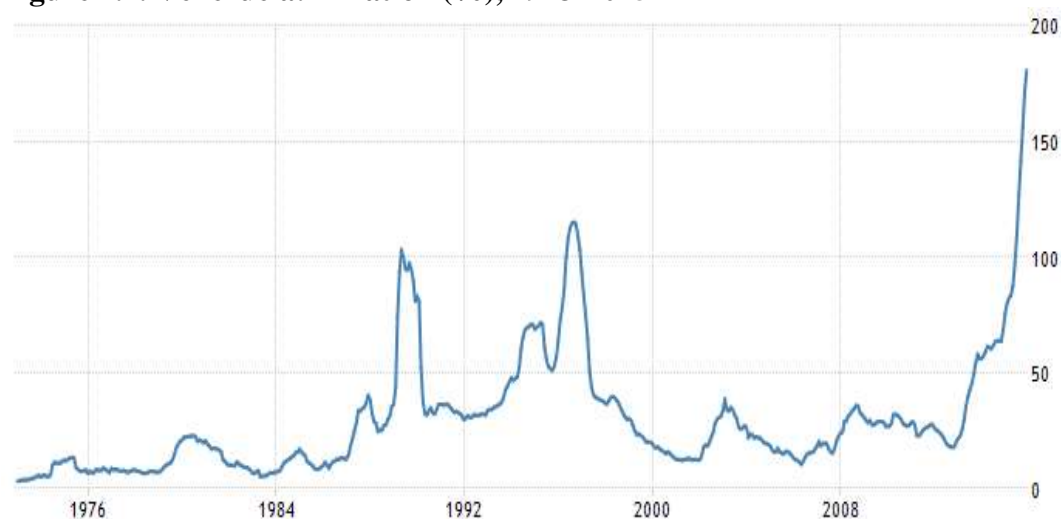
Nonetheless, oil prices were not the only factor affecting the economy. Figure 7.3 shows that inflation was at 20 percent in December 2012, a few months before Chávez died. By December of 2013 inflation had already reached 56.2 percent, significantly more than the highest figure recorded under the Chávez administration. This indicator increased only to 68 percent in 2014, but in December of 2015 Venezuelan inflation had reached 180.9 percent, making it its highest in over forty years (Figure 7.4), and the current highest in the world.

Figure 7.3. Venezuela: Inflation (%), 2012-2015



Source: INE (2016) and Trading Economics (2017b).

Figure 7.4. Venezuela: Inflation (%), 1973-2015



Source: INE (2016) and Trading Economics (2017b).

For 2016, the IMF estimated an annual inflation of 720 percent. Neither the IMF nor the World Bank have yet released a final number for that year, but the Johns Hopkins-Cato Institute Troubled Currencies Project (TCP) found Venezuela's year-over-year inflation to be 290 percent by December 2016 (2017).

According to Weisbrot, one of the main causes for the ballooning inflation is the spiraling dynamic that exists between inflation and the black market for dollars in Venezuela. Under a situation of economic recession in which there is such a large difference in the value of a currency in the official and black markets, he argues, even government spending is likely to feed the inflation-depreciation spiral as the influx of money is going to continue to feed the black market, trapping the economy in recession. Therefore, he states, the only way to fix the economy is unifying the exchange rate by floating the Bolívar (Weisbrot 2016a, 2016b). In fact, the Chávez administration floated Venezuela's currency in February 2002 successfully increasing the country's dollar reserves despite being in the middle of high political instability.

The importance of taking steps towards unifying the exchange rate was clear during the last year of the Chávez presidency, but before the collapse in oil prices it seemed that this measure could be taken in a more gradual way (Weisbrot and Johnston 2012). Chávez kept the exchange rate fixed for most of his administration, but when inflation began to increase in 2010, he devalued it from VEF¹³¹ \$2.15 to VEF \$4.30 per dollar, and once again to VEF \$6.29 in February 2013, one month before his death. Nonetheless, the exchange rate in the black market has experienced rapid and continuous increase since then, from close to VEF \$10 per dollar in early 2013, to VEF \$1,000 per dollar¹³² in February 2016 (Boyd 2016).

Despite this dramatic increase, the Maduro administration did not adopt significant exchange rates measures. While it may be true that the July 2014 collapse in oil prices accelerated the inflation spike, inflation began getting out of control during all of 2013. The speed of inflation increase was tamed to some extent during 2014, but it seems that the Maduro administration should have taken stronger steps to reduce it at that time. And if this did not seem urgent enough, definitely the collapse in oil prices created a situation that demanded decisive action sooner.

Scarcity of basic consumption items became one of the most significant problems for Venezuelans, especially since 2015 (Amnesty International 2016). There seem to be multiple reasons for this complex issue. The government blames speculators who certainly withhold basic items and sell them in the black market. The opposition blames the government's

¹³¹ VEF is the exchange code for the Bolívar Fuerte, which can also be expressed as Bs.F and replaced the original Bolívar in 2008 at a rate of Bs.F 1 = Bs. 1,000.

¹³² There is contention about the veracity of Bolívar Fuerte's black market prices, given that the Venezuelan government prohibits publishing these prices. In addition, the main source for these is DolarToday.com, a website that also publishes articles against the Maduro administration, run by a former Venezuelan army officer who participated in the 2002 coup against Chávez, and now lives in the U.S. The Venezuelan Central Bank sued DolarToday in the United States for destabilizing the economy by fueling inflation (PRI 2016; Vyas 2015). In 2016, BCV dropped the case after reaching an agreement with DolarToday, the terms of which have not made public (El Mundo 2016).

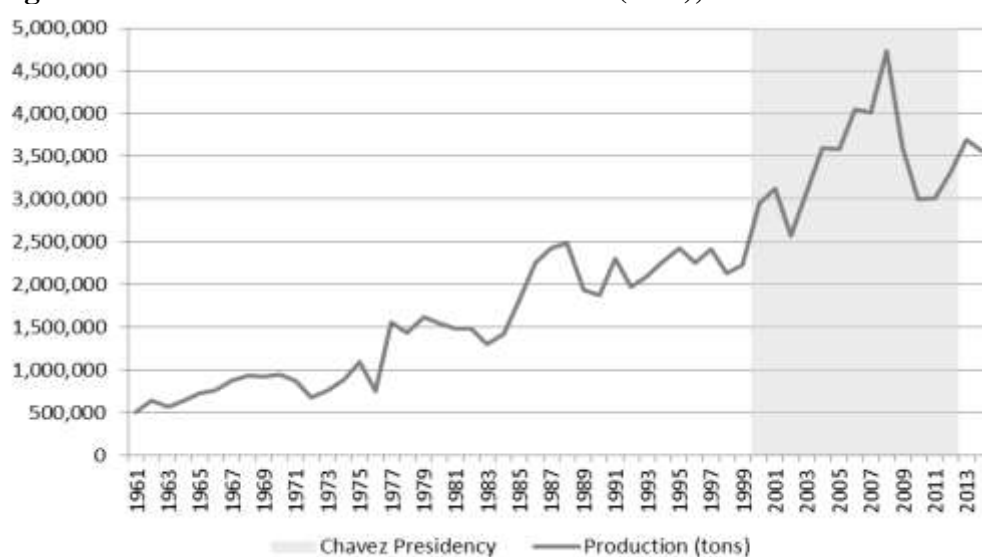
economic policies, specifically control of food prices and of the currency exchange rate, and there are some that even argue that the government promotes the scarcity in order to make the population more dependent and easier to control (Corrales 2016).

According to Howard-Hassmann (2015), argues that the Chávez administration's strategy of establishing price controls through state-run *Mercal* stores, while in the short term facilitating people's access to food, created a condition that, combined with insufficient national food production and private distributors, did not guarantee the long term protection of people's right to food. This created a double market in which many people became dependent of the *Mercal* stores. When inflation spiked, it did not matter that food was available in private stores because most people could not afford it there (Human Rights Watch 2016, 14). They had to seek it at discounted prices at the *Mercal* stores, which increasingly were unable to meet the demand. This situation also created the conditions for corruption and speculation, in which distributors let the prices rise and prefer to sell items outside of the state network.

There is also evidence that high volumes of contraband takes place every day at the Colombian border. People buy subsidized items in Venezuela and take them to Colombia to sell them for up to seven times their purchase prices (RTVE 2015), though there are reports that some items "can garner up to 1,000 percent profit on the Colombian side of the border," a situation that increases scarcity in border states (Mills and Camacaro 2015). Gasoline is another subsidized item that is highly smuggled through the Colombian border, at a rate of 980,000 liters per day, where it can be sold at 40 times its controlled sale price in Venezuela. The Maduro administration has been mostly ineffective in addressing this issue, but in the beginning of 2017 it announced new measures that include charging in foreign currency for sales of gas along the border (Boothroyd-Rojas 2017).

Another issue related to the food crisis is that of food production. Some argue that part of the food scarcity is a result of supposedly failed agricultural policies of the Chávez administration (Forero 2009b; Tong 2016). However, food production during that period does not show a decline but rather a continuous increase, except the two years right after the global economic recession (Figure 7.5). This increase may not have been enough to achieve food sovereignty through the oil bonanza, which was the government's goal, but it is also unlikely to be the source of the country's food crisis.

Figure 7.5. Venezuela: Production of Cereals (tons), 1961-2014.



Source: FAO (2017).

7.3 Human Development: Slow Deterioration

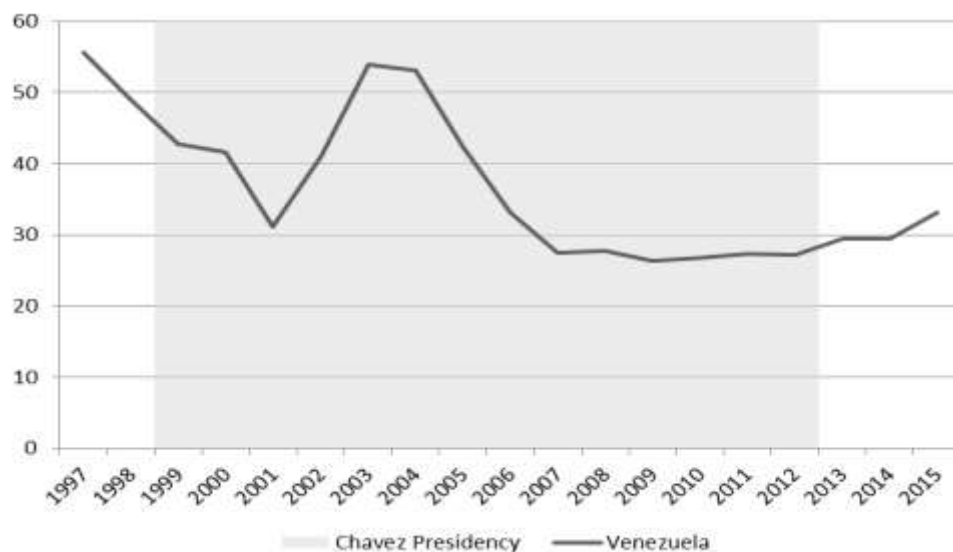
An economic crisis of the dimensions described above would usually be accompanied by a similar collapse in social indicators. Definitely the aspect of the crisis that seems to have more significant negative repercussions on people's human development is the food crisis. The worst years in this crisis so far have been 2015 and 2016, and there are not yet enough systematized

data to fully assess the impact the shortages have had on people's health¹³³. Nonetheless, there is some statistical and anecdotal information from observers, surveys, and health care providers, that makes clear that the health situation in Venezuela, even if far from the famine some predicted in mid-2016 (Pardo 2016; WNYC 2016), has been worsening by the day. A 2016 Human Rights' Watch report observes that, even though the food situation is deteriorating and slowing affecting nutrition levels, the more serious health consequences are resulting from shortages in medicines and medical supplies.

Some indicators related to human development have not fared as bad as it could be expected given the astonishing decline in some macroeconomic numbers, but they are slowly deteriorating. Poverty, for example, continued to be in 2015 lower than the pre-Chávez era, but it experienced two increases in 2013 and 2015, bringing it from 27 percent in 2012 to 33 in 2015 (Figure 7.6). And given that 2016 was also a bad economic year for the country, it is expected that the percentage of people living in poverty will continue to climb, though it is not clear yet at what speed.

¹³³ For example, on the topic of Infant Mortality Rate (IMR) there are at least three different public sources of information with different measures: The United Nations Statistical Division has data showing a steady increasing trend in IMR from 11.6 in 2011 to 15.4 in 2015 (2016). A 2016 Human Rights Watch report, using this UN data in conjunction with that of an unpublished June 2016 Internal Report by the Ministry of Health of which they have a copy, shows the trend to continue increasing to 15.4 in 2015 (Human Rights Watch 2016). However, a UNDP's Human Development Report's (HDR) website shows slightly higher values, of 13.5 in 2011 and 12.9 in 2013 for example, but in a declining trend until its last data point in 2013 (2015b). A Venezuelan Government's IMR report from 2006 to 2012 shows a similar declining trend, at least until 2012 (INE n.d.). The lack of available recent data from the government does not help to clarify the situation.

Figure 7.6. Venezuela: Poverty headcount ratio at national poverty lines¹³⁴ (% of population), 1997-2015.



Source: World Bank (2017). Data in Table 7.1.

Table 7.1. Venezuela: Poverty headcount ratio at national poverty lines (% of population), 1997-2015.

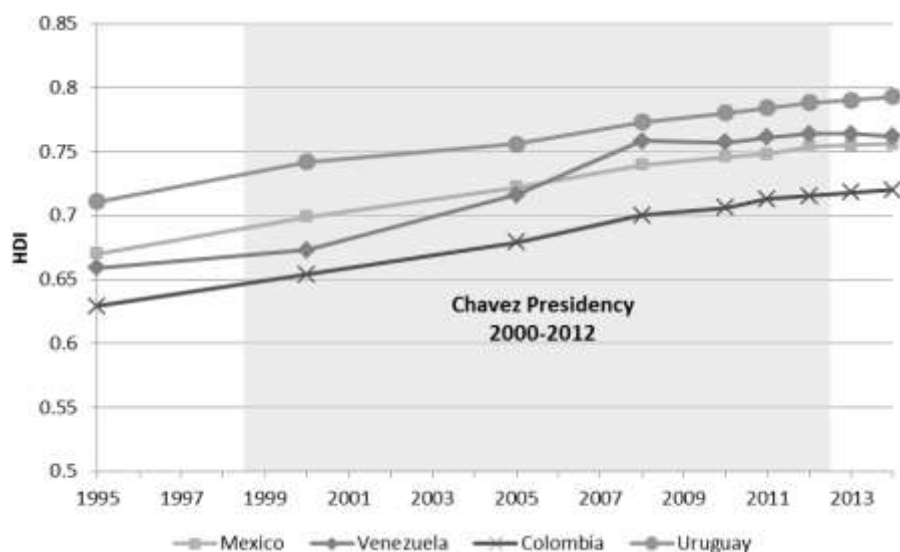
Country	97	98	99	00	01	01	03	04	05	06	07	08	09	10	11	12	13	14	15
Venezuela	56	49	43	42	31	41	54	53	42	33	28	28	26	27	27	27	29	30	33

Source: World Bank (2017).

Another example that the economic crisis has been making a dent in the human development improvements achieved during the Chávez administration is the country’s Human Development Index. This indicator is constructed by the UNDP usually with about a two year lag, for which the last data point currently available is the one for 2014. As Figure 7.7 shows, that year Venezuela experienced a contraction in this indicator, from 0.764 in 2012 and 2013, to 0.762 in 2014. And given that the economic crisis worsened in 2015 and 2016, HDI is expected to continue decreasing for those years.

¹³⁴ According to the World Bank, “Poverty estimates at national poverty lines are computed from household survey data. National poverty lines are the benchmark for estimating poverty indicators that are consistent with the country’s specific economic and social circumstances” (World Bank 2016b).

Figure 7.7. Venezuela and Select Latin American Countries: Human Development Index 2000-2014.



Source: UNDP (2015b). Data in Table 7.2.

Table 7.2 Venezuela and other Latin America: HDI Evolution 2000-2014.

Country	1980	1985	1990	1995	2000	2005	2008	2010	2011	2012	2013	2014
Uruguay	0.664	0.667	0.692	0.711	0.742	0.756	0.773	0.78	0.784	0.788	0.79	0.793
Venezuela	0.628	0.632	0.635	0.659	0.673	0.716	0.758	0.757	0.761	0.764	0.764	0.762
Mexico	0.601	0.634	0.648	0.67	0.699	0.722	0.739	0.746	0.748	0.754	0.755	0.756
Colombia	0.557	0.573	0.596	0.629	0.654	0.679	0.700	0.706	0.713	0.715	0.718	0.72

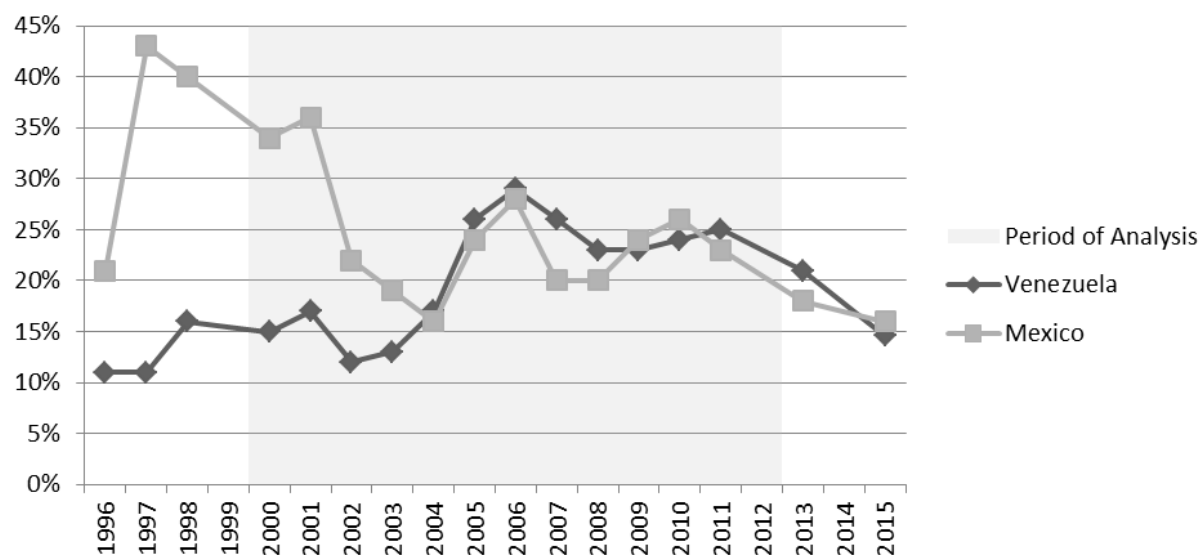
Source: UNDP (2015b).

7.4 Impact of the economic and political crisis on Social Capital and Democratic Values

Impact on Social Capital

The economic and political crisis impacted negatively the levels of generalized trust and trust in government that people in Venezuela had, losing in both cases two fifths of their 2011 value (Figures 7.8 and 7.9). This demonstrates how fragile trust indicators are, and the extent to which trust makes social capital volatile in periods of crisis.

Figure 7.8. Mexico and Venezuela. Generalized trust: You can trust most people (%), 1996-2015.



Source: Latinobarómetro (2016), Indicator A60112. Data in Table 7.3.

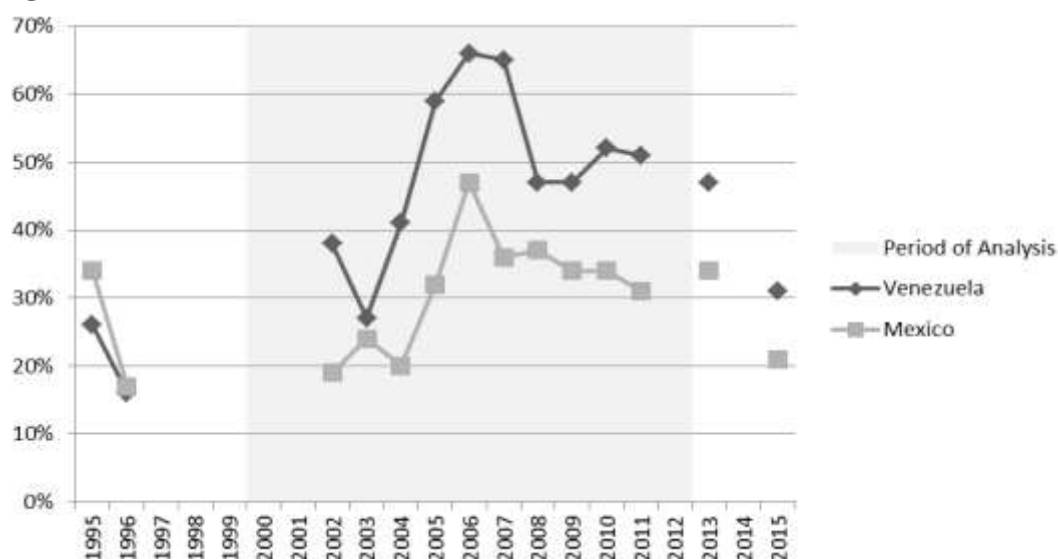
Table 7.3. Mexico and Venezuela. Generalized trust: You can trust most people (%), 1996-2015

	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11	13	15
Mexico	21	43	40	34	36	22	19	16	24	28	20	20	24	26	23	18	16
Venezuela	11	11	16	15	17	12	13	17	26	29	26	23	23	24	25	21	15

Source: Latinobarómetro (2016), Indicator A60112.

Trust in government featured an even more striking decline than generalized trust did, losing about 35 percent of its value from 2013 to 2015, moving from 47 to 31 percent of people who trust government. With this decline, it almost reached the lowest mark on this indicator during the Chávez era, which reflected the state of crisis caused by the failed coup, oil stoppage and the general strike of 2002.

Figure 7.9. Mexico and Venezuela: Trust in Government, A lot/some (%), 1995-2015



Source: Latinobarómetro (2016), Indicator A60201H. Data in Table 7.4.

Table 7.4. Mexico and Venezuela: Trust in government (%), 1995-2015

	95	96	02	02	04	05	06	07	08	09	10	11	13	15
Mexico	34	17	19	24	20	32	47	36	37	34	34	31	34	21
Venezuela	26	16	38	27	41	59	66	65	47	47	52	51	47	31

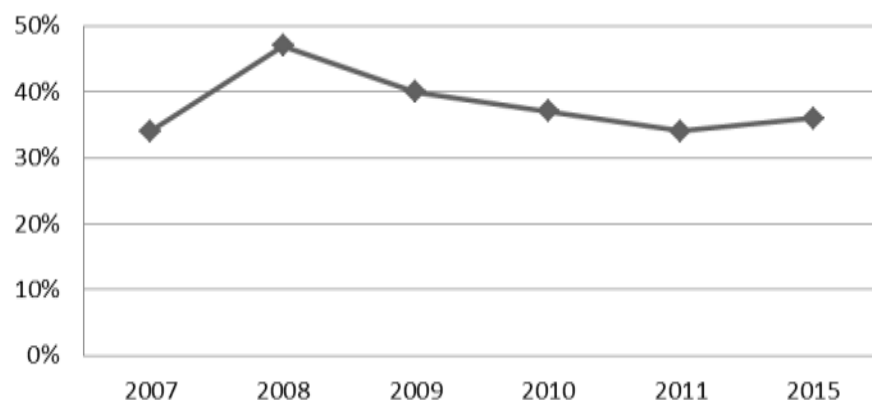
Source: Latinobarómetro (2016), Indicator A60201H.

While trust declined in Venezuela by 2015, one of the indicators used to assess the importance of networks of collaboration, namely support for the idea that participation in social or political organizations is a sign of good citizenship, reversed the declining trend it showed from 2008 to 2011 and experienced a 2 percent increase in 2015 (Figure 7.10).

This increase could easily be thought of as the result of an increasingly polarized environment. However, as Table 7.5 shows, support for political participation as a sign of good citizenship actually declined from 20 percent in 2011 to 16 percent in 2015. On the contrary, the view that participation in social organizations implies good citizenship increased during the same period from 14 to 20 percent. This may be a response to some extent to the economic crisis, but

nonetheless, a response that supports the possible existence of positive social capital of the type that promotes solidarity in times of crisis.

Figure 7.10. Venezuela: To be a good citizen implies to participate in social or political organizations, 2007-2015.



Source: Latinobarómetro (2016), Indicator A50102. Data in Table 7.5.

Table 7.5. Venezuela: What does it take to be a good citizen, 2007-2015.

	2007	2008	2009	2010	2011	2015
Vote	69	88	85	84	82	80
Pay taxes	45	51	51	44	41	46
Always obey all laws	44	48	50	52	40	54
Participate in social organizations	20	27	22	23	14	20
Participate in political organizations	14	20	18	14	20	16
Participate in social or political organizations	34	47	40	37	34	36
Choose environmentally responsible products	14	24	18	22	23	20
Help people who are in worse conditions than we are	21	40	26	43	34	35
Fulfill military service	22	23	26	23	17	16
DK/NA	3	1	2	2	0	1

Source: Latinobarómetro (2016), Indicator A50102.

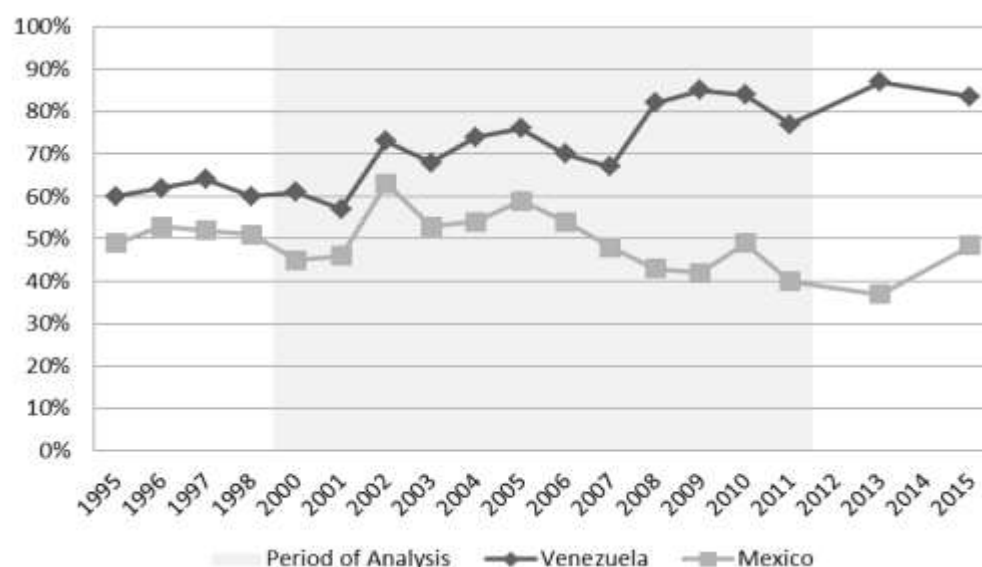
According to Ciccariello-Maher (2016), after Chávez’s death and during the Maduro administration the process of registering and strengthening *comunas* has continued largely on the basis of grassroots support. This has happened often in conflict with the opposition, but also in conflict with some Chavistas, given that those organizing the communes see the state as not radical enough and leading the “bureaucratization of the Bolivarian process” (Ciccariello-Maher 2016, 133). Nonetheless, the continuation of the Comuna experiment could be related to the

increases in support for social organization found in the Latinobarómetro survey. Clearly, more and closer research about the state of organizing and social relationships during this time in Venezuela would be necessary in order to establish if this hypothesis is true.

Impact on Democratic Values

While indicators related to social capital were clearly impacted by the economic and political crisis of 2013-2015 in Venezuela, this was not the case for indicators related to democratic values. As Figure 7.11 shows, support for democracy in Venezuela continued to be at its highest numbers since beginning of Latinobarómetro's reports in 1995, despite the crisis.

Figure 7.11. Mexico and Venezuela. Support for democracy: Democracy is preferable to any other form of government (%), 1995-2015.



Source: Latinobarómetro (2016), Indicator A101. Data in Table 7.6.

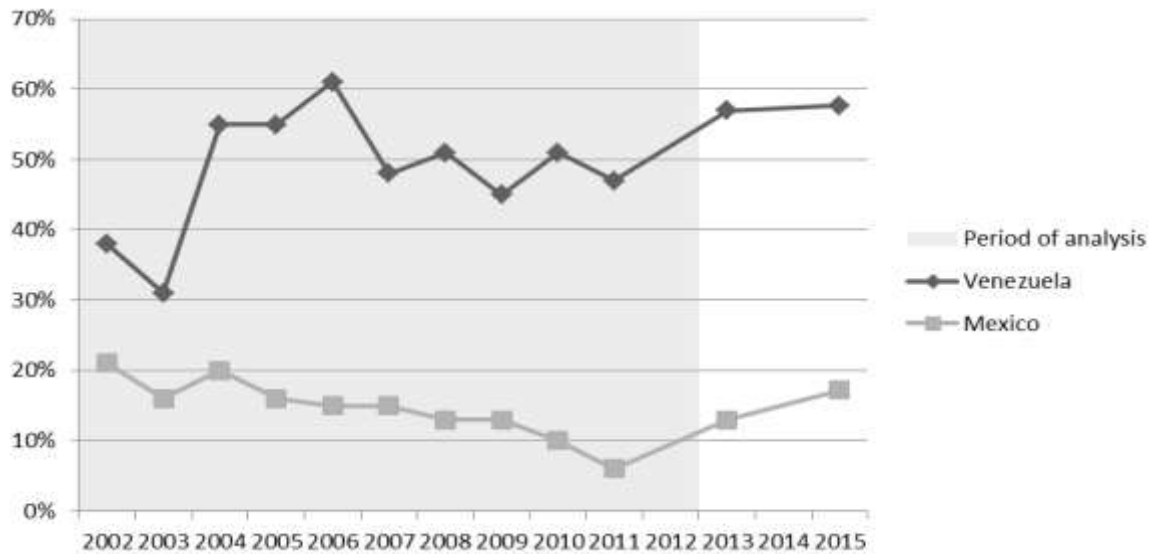
Table 7.6. Mexico and Venezuela. Support for Democracy: Democracy is preferable to any other form of government (%), 1995-2015.

	95	96	97	98	00	01	02	03	04	05	06	07	08	09	10	11	13	15
Mexico	49	53	52	51	45	46	63	53	54	59	54	48	43	42	49	40	37	48
Venezuela	60	62	64	60	61	57	73	68	74	76	70	67	82	85	84	77	87	84

Source: Latinobarómetro (2016), Indicator A101.

In addition, the number of Venezuelans who were very much in agreement with the statement that democracy may have issues but is the best system of government continued to be significantly high in 2013 and 2015, despite the clear decline in macroeconomic indicators (Figure 7.12).

Figure 7.12. Mexico and Venezuela. Democracy may have issues but is the best system of government: very in agreement (%), 2002-2015.



Source: Latinobarómetro (2016), Indicator A107. Data in Table 7.7.

Table 7.7. Mexico and Venezuela. Democracy may have issues but is the best system of government: Very in agreement (%), 2002-2015.

	02	03	04	05	06	07	08	09	10	11	13	15
Mexico	21	16	20	16	15	15	13	13	10	6	13	17
Venezuela	38	31	55	55	61	48	51	45	51	47	57	58

Source: Latinobarómetro (2016), Indicator A107.

The fact that public opinion showed notorious dissatisfaction with the government in 2013 and 2015, but still polled record level support for democracy, which had already increased over 20 percent during the Chávez administration, may be a sign of the more lasting impact that

inclusive participatory practices made in the democratic attitudes of Venezuelans, especially on those who felt disempowered under the puntofijista system.

7.5 Conclusions

The period that president Nicolás Maduro has governed in Venezuela is still short and it has been full of contingencies, some due to external factors such as the collapse in oil prices, and some that could have been handled more effectively such as the opposition protests or the exchange rate and inflation spiral. A future deeper analysis about the complete Maduro administration will be useful to contrast against the analysis that this project makes about the Chávez administration, in order to find how continuities and differences in policy and context affect the findings of this project.

Reflections on the finding that Venezuela's and Mexico's different policy approaches converged in their macroeconomic and human development outcomes.

One of the findings of this project was that the alternative economic model implemented by Hugo Chávez was not an economic disaster, as his opponents used to claim. On the contrary, the country's macro-economic and human development indicators during that time converged with those of Mexico, that followed the market-oriented economic paradigm. And while Venezuela faced a severe economic crisis during the 2008 global recession, the government was able to overcome it quickly due to a low ratio of external debt and to having large oil reserves.

However, after Chávez's death Venezuela showed clear weaknesses in its economic system, mostly related to its fixed exchange rate and to its system of price controls. These policies made possible to a large degree the achievement of significant human development

successes, but they also resulted in the existence of dual markets. The Chávez administration was able to implement policy adjustments, including floating or devaluing the Bolívar in times of crisis, that allowed it to contain the risks that his preferred policy options entailed. This may suggest that his administration could have continued this process of stabilization of the currency exchange rates without falling into a large-scale economic crisis, and in this way protecting the human development achievements of the previous years.

Nonetheless, it is clear that this has not happened during the Maduro administration. Analysts point to various factors that have contributed to this failure, singly or in combination. They include a lack of adequate and decisive action on the president's part, an economic system implemented by Chávez that was doomed to inevitable failure, and the perfect storm created by an unprecedented collapse in the prices of the country's main commodity. This last factor, while significant, does not explain fully the situation, as the Venezuelan crisis is significantly worse than that faced by other oil exporting countries during the same period.

Also, in order to better understand the causes of the economic crisis currently faced by Venezuela it is important to have a more nuanced analysis of the domestic politics than what has developed until now. Price controls, subsidies, and fixed exchange rates are not uncommon policy approaches. However, the polarized political system greatly increased the political costs of policy change and adaptation, which created incentives for the Maduro administration to wait before making unpopular policy changes to the point that it was too late. Much responsibility for this polarization falls on Hugo Chávez and his supporters, who saw on it an opportunity to accumulate more political power. And much of that responsibility also falls on the opposition, who almost always favored confrontation outside of the institutional channels than within.

The finding that the Venezuelan model implemented by Chávez performed better than its critics predicted, and that during that period the country achieved significant successes in economic and human development, still stands. However, the period that followed the Chávez presidency demonstrates that there are important risks in that model, and that its implementation requires close attention in order not to let the existence of dual markets to develop and grow out of hand, jeopardizing the overall economy.

Reflections on the finding that Venezuela's and Mexico's different policy approaches diverged in their outcomes related to social capital and democratic values.

A second, and most important finding of this project, was that participatory policies promoted the development of social capital and democratic values in Venezuela. Participatory policies were one of the most positive aspects of Chávez's policy approach, one that even some of his detractors found useful, acknowledging that people were learning to participate and demand their rights¹³⁵. The impact of this approach depends more on the style, methods, and values used to implement social policy, than on how many resources are used. For that reason, the impact of participatory policies is not causally linked to macroeconomic management.

This means that participatory policies can exist under different economic models, as experiments with participatory budgeting in the United States demonstrate (Lerner and Seconod 2012). Therefore, this also means that they could probably have existed in Venezuela even under a more cautious macroeconomic policy. It is possible, of course, that this would have resulted in fewer resources for social programs, and that this would have diminished the impact of these programs in social capital and democratic values. The question therefore becomes not if the hypothesis presented here about government-promoted participation and social capital stands,

¹³⁵ See comments by Mercedes de Freitas, director of Transparency International Venezuela, in Chapter 3.

but about what difference it makes the amount of resources invested in participatory programs in the impact these have on social capital and democratic values. This question is significant and worth exploration. Nonetheless, its relevance does not affect the finding that government-promoted participation strengthens social capital and democratic values.

At the time of writing this epilogue Venezuela faces a severe economic crisis and political uncertainty, which are endangering many of the economic and social successes achieved during the Chávez era. Among those achievements at risk are higher levels of social capital, which seem vulnerable to the high level of political contention. Nonetheless, the strengthening of democratic values that took place during that period seem to be more resistant to the current economic and political crisis, in a way, providing hope to people that through democratic channels they will be able to improve the current situation. We will see if both the opposition's and the government's future actions help to consolidate these aspirations.

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