

The decline of Venezuela was an inside job

Your Turn

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Guest columnist



Law enforcement officials escort deposed Venezuelan President Nicolás Maduro out of a helicopter at Downtown Manhattan Heliport in New York City as he heads toward an initial court appearance on Jan. 5. Adam Gray/REUTERS

There is considerable debate about America's capture of the Venezuelan president, Nicolás Maduro. What is not debatable is the extent to which government insiders brought Venezuela to ruin over the last quarter century.

From the 1950s to 1980s, Venezuela was, per capita, one of the world's wealthiest countries. Its vast oil reserves earned it the nickname 'Saudi Venezuela' and were the largest of any nation, including Saudi Arabia. Given the sunny economic outlook, Venezuela's precipitous socioeconomic decline has been shocking.

What happened?

We're all familiar with the usual finger-pointing for national decline: special interest groups from the demand-side (anyone from crony capitalists and economic elites to consumer activists and labor unions) are called out for a country's problems. We pay less attention to supply-side interests such as political leaders (elected or otherwise), bureaucrats and public officials.

In autocracies and democracies, government insiders have the motive, the means and the opportunity to leverage political power for their benefit at the expense of national well-being. Understanding how they can use this power to subvert the public interest and what can be done to mitigate such deleterious effects is essential. Venezuela's demise provides a valuable learning opportunity.

Hugo Chavez was a career military officer who unsuccessfully attempted to overthrow the democratically elected Venezuelan government in 1992. Pardoned from prison two years later, he founded a populist political party and was elected Venezuela's president in 1998.

After his election, Chavez illegally convened a constituent assembly of allies and gave it absolute power to rewrite the constitution. The assembly eliminated checks and balances at the heart of Venezuela's democracy by dissolving Congress and dismissing the Supreme Court, the attorney general and most of the country's judges, replacing them with loyalist so-called Chavistas.

Chavez took control of the media, another important check and balance. He launched and hosted a show on the state radio network, ran a weekly television segment and established a Twitter account with millions of

followers. He founded two newspapers, a magazine and a new television channel, all while clamping down on dissent and non-state-run media.

Chavez nationalized large swaths of the economy, and his whims often became national policy. An extra star was added to the country's flag; the time zone was shifted by 30 minutes; and even the national coat of arms was altered at the suggestion of Chavez's then nine-year-old daughter.

More consequentially, Chavez seized control over the state-run oil company PDVSA, using its revenue to finance his favorite political projects. In 2002, 19,000 striking PDVSA workers were fired and replaced by members of the military, retirees and foreign contractors, substituting political loyalists for local industry experts.

To further consolidate power, Chavez filled public posts with allied military officials. This practice was continued by his hand-picked successor, Maduro, who took over the reins of power in 2013 upon Chavez's death. Elements of the National Guard, known as the Cartel of the Suns, gained license for lucrative extralegal drug trafficking. Venezuela's largest illegal and legal industries – narcotics and oil, respectively — became state run.

The authoritarianism of Chavez and Maduro impoverished Venezuela. Their use of PDVSA as a political piggy bank meant that little was preserved to weather economic downturns. The decline of oil prices that began in 2008, coupled with a corresponding plunge in oil production (by 70 percent since the late 1990s), devastated Venezuela's economy. Even though Venezuela has 17 percent of the world's proven oil reserves, it accounts for less than 1 percent of global oil production.

Between 2013 and 2020, Venezuela's gross domestic product fell by 88 percent. The regime's response leaned into public spending and an expansionary monetary policy. Predictably, that resulted in hyperinflation – 130,000 percent by 2018. The International Monetary Fund estimated that Venezuela's currency, the bolivar, lost 99.99 percent of its value between 1998 and 2018.

Now, Venezuelans suffer from acute shortages of food, clothing and medicine. Billboards are unlit after dark due to a crumbling electricity grid. In 2016, the work week for public employees was shortened to four days, and then further to two days, to save on energy and electricity.

Venezuela has one of the highest murder rates in the world. Dissent is repressed, and Venezuela rivals Haiti for having the lowest freedom and government transparency scores in the Western Hemisphere. Over the last five years, moreover, Venezuela has lost its greatest wealth – 25 percent of its population.

The lessons from Venezuela's demise are clear. An abundance of resources and the presence of democratic institutions do not guarantee ongoing national prosperity and civil liberties. If important government checks and balances are eroded, the risk of insiders co-opting political power for individual gain at the expense of the public good skyrockets.

What James Madison wrote centuries ago still rings true today: 'If men were angels, no government would be necessary. ... In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions.'

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