

# Venezuela: What caused it to fall so far, so fast, and what is its future?



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# Venezuela Video Primer

- [https://www.2news.com/video/a-brief-history-of-venezuela-s-politics/video\\_6251eab3-5155-51da-bc6c-6f683712da10.html](https://www.2news.com/video/a-brief-history-of-venezuela-s-politics/video_6251eab3-5155-51da-bc6c-6f683712da10.html)

# What Happened in 2017: Political Crisis

- On August 18<sup>th</sup>: Constituent assembly replaced democratically-elected legislature controlled by opposition with Maduro allies
- Effectively, Maduro's regime controlled all branches of government (end of democracy)

# What Happened in 2017: Economic Crisis

- 93% of Venezuelans could not afford food
- 75% had lost weight in past year (skipping meals)
- Shortages of food & medicine (toilet paper, too)
- Hyperinflation (about 800% that year)

# What Happened in 2017: Social Crisis

- Hundreds died that year; more with Covid-19
- Thousands of political prisoners
- Opposition protests; civil war? Covid-19 subdued it

# How Did We Get Here Politically & Economically?

- Political history: Lack of democracy
- Civil wars & armed conflicts in 19th century; dictatorship (iron-fisted rule)
- Economic History: 1830s-1910s: trading agricultural commodities (ranching & plantations) in exchange for finished goods
- Big Change: oil exploration beginning in the 1910s
- From 1910s-2026: population shifted from one that lived & worked land & mainly illiterate, to one moved to cities & attended school
- Development of infrastructure (roads, bridges, & public health)
- Demography: many left poor rural areas for more prosperous cities (literacy/education)

# How Did We Get Here? OIL!!!

- Authoritarianism continued – brief experiment with democracy (1945-48)
- Democracy fully emerges (1958-2016)
- Relied initially on pacts & coalitions among political parties
- Eventually, leads to a two-party system (little difference between parties and transition between them was smooth – depend on oil revenue)
- Oil price instability is Venezuela's problem – more than 90% of VZ export earnings and government revenue
- Good times: Venezuela had oil monies to pay off urban/rural elites, workers, peasants (land reform), & military
- State controlled 70% oil companies from 1959-1976, & 100% after nationalization of foreign firms, state had enormous revenues
- Even 1976 oil expropriation – ExxonMobil & Chevron – VZ state provided compensation

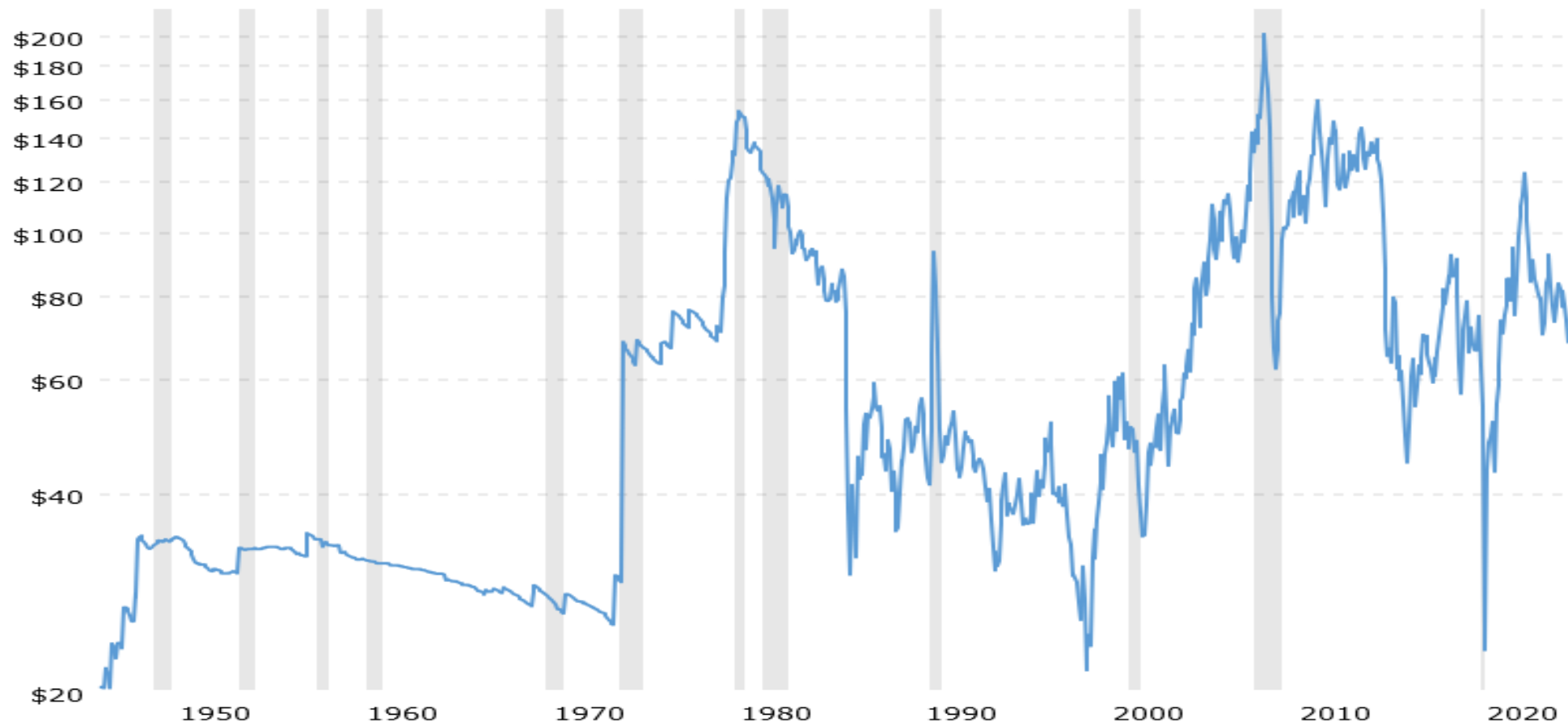
# U.S. Also Supported Venezuela's Policies

- US also provided political & economic resources (1960s)
- Alliance for Progress: foster democracy/economic growth, & respond to threat of communism from Cuba & USSR – VZ opposed communism
- US promoted democracy through educational programs (Peace Corps)
- Programs helped inculcate democratic ideals

# Venezuela's Wild Ride Begins

- What goes up may go down: esp. oil prices in 1980s
- Venezuelan leaders in the 1970s assumed oil prices would rise; took out large variable interest-rate loans for public-works projects (interest rates skyrocketed)
- When oil prices plummeted, Venezuela had no way to repay loans
- To compound matters, Venezuela continued a spending binge (1973-78)
- In 1978-83, when they attempted an austerity program, rampant corruption made that program fail miserably & opposition formed against the government
- Led the new president (1983-1988) from the opposition party to increase public spending, doubling the inflation rate

# Crude Oil Prices: 1950-2025



# Trouble in Venezuela 1988-1998

- February 1989, new president announced a structural adjustment program (tariff reductions, privatization, austerity, etc.) -- bloody & traumatic urban riots
- Resentment grew between senior officers who received benefits, while junior officers no longer could afford cars or decent housing
- Result, in 1992, a jr. military faction led by Hugo Chávez attempted a few coups, and one narrowly missed succeeding
- May 1993, Senate suspended & removed president (corruption charges)
- Because of growing apathy & weak oil prices to pay off supporters, led to election of Hugo Chávez (a political outsider) on a populist platform in December 1998

# Chávez/Maduro Bolivarian Revolution 1999-2025

Leftist populist movement

- Social justice
- Income redistribution
- Pro-poor policies
- Economic independence (especially from US)



# Success: Bolivarian Revolution

- Strategy relied on patronage to satisfy many group
- Quadrupling in price of Venezuela's oil between 2000 & 2008
- GDP growth – 1999: -5.97%; 2004: 18.29%
- GDP per capita – 1999: \$11,739; 2007: \$14,374
- Chávez created a tailor-made constitution & absolute majority in single-chamber National Assembly
- Also signed enabling laws, executive decrees in matters ranging across economy, crime, & organization of state

# Opposition to Bolivarian Revolution

- Chávez's opponents (divided): business & oil firms; U.S. democracy advocates; middle class
- 8/2004 Chávez had about 60% of voters; earned support from poor & many workers
- 2009, Chávez won referendum: abolished term limits
- Blatant gerrymandering & electoral reform
- Chávez ran 10/2012; Chávez won 55% but he died (pelvic cancer)
- New elections Nicolas Maduro (Chávez's vice president), won by less than 2% of popular vote
- Opposition called for a recount or revote because of reputed electoral fraud; Maduro would not negotiate with opposition, saw US as main culprit for Venezuela's problems

# Problem: Financing Bolivarian Revolution?

- State ownership of oil company (PDVSA): trade off – contribute to R&D or pay off supporters (including military)?
- Oil production at less than 2 million bpd in 2017 & about 900,000 bpd in 2025; used to be more than 3.5 million in late 1990s
- Oil prices are okay -- \$63 per barrel
- Popular protests (shortages of everything; hyperinflation)
- US economic sanctions (targeted on high-profile individuals)
- US buys 40% of VZ oil exports (US refines VZ heavy crude oil into gas – few countries have refining capability)

# Situation: 2024

- Elections in 2024
- Frontrunner: Maria Corina Machado disqualified for alleged political crimes
- Opposition politicians united behind former diplomat, Edmundo González
- Beating Maduro should have been easy:
  - unpopular; crimes against humanity; & bad economy crippled by U.S. sanctions
- U.S. demanded Maduro hold free & fair elections – lifted energy sanctions
- 2015 is last time Venezuela held legitimate national elections
- 2024 was no exception – Maduro “won” the election (lost by a landslide)

# Current Situation

President Trump authorized removal of Maduro & his wife – successful mission

## **Goals of Trump Administration?**

- Bring back democracy to VZ?
- US took out reputed drug-trafficking ships. Is the US goal to stem the flow of drugs from VZ & eradicate drug cartels?
- US control over VZ oil? What will the US oil companies do?
- Geopolitics? “Donroe” Doctrine – keep hemisphere free of China, Russia, etc.?
- Gunboat/Dollar Diplomacy: Impact of policy on Cuba, Colombia, Mexico, etc. in Latin America?