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Venezuela's Revolution in Decline

Beware the Wounded Tiger

Francisco Rodríguez

On Sunday, March 2, Venezuelans were treated to a spectacle that was surreal even by the standards of this Andean nation. Speaking on his weekly television program *Aló Presidente*, Venezuelan President Hugo Chávez announced the mobilization of ten army battalions to the Colombian border, and threatened to send the Venezuelan air force to directly attack Colombian President Álvaro Uribe.

What made this announcement particularly bizarre is that it occurred in reaction to an incident more than 500 miles from Venezuela's borders, involving the entry by Colombia's armed forces into Ecuadorean territory in pursuit of a group of leftist guerrillas. Indeed, Venezuela's reaction was so disproportionate that it decided to suspend diplomatic relations with Colombia at the same time that Ecuador—the aggrieved country in this case—was taking the less drastic step of calling its ambassador home for consultations. Venezuela's strong reaction evidenced the increasingly public nature of its close relationship with the Revolutionary Armed Forces of Colombia (FARC), a group which the Venezuelan government considers an ideological and strategic ally.

Although relations were restored one week later as part of a brokered agreement reached at the Rio Group Presidential Summit, it would be incorrect to interpret this incident as an isolated event. Rather, the dispute with Colombia forms part of a broader pattern that has emerged in the past year as characteristic of the most recent stage of the Bolivarian revolution. In this pattern, Chávez's aggressiveness must be

understood as part of a consistent strategy to create external enemies that will allow him to rally support around his presidency. They are the expression of the political realities of eroding popular support and a collapsing political coalition.

Indeed, attempts to provoke external and internal enemies have by now become the order of the day in Venezuela. In response to growing food shortages, the government has threatened to expropriate the distribution companies that it blames for hoarding basic foodstuffs. In February, when a British court froze \$12 billion in assets of the Venezuelan state-owned oil company Petróleos de Venezuela, S.A. (PDVSA) in response to a demand filed by ExxonMobil, Chávez threatened to cut off oil supplies to the United States. (In contrast to previous threats, in which Chávez had spoken of cutting off supplies in response to an imagined U.S. intervention or invasion, in this case he promised to carry out the threat unless the asset freeze was lifted).¹ And, though recent opinion surveys indicate that the Venezuelan opposition will likely emerge victorious from the regional elections due to be held later in the year, Chávez has announced that if his party loses these elections “there will be war.”²

The Search for Foreign Enemies

Coming shortly after the December 2, 2007, referendum defeat of Chávez's proposal to rewrite the Constitution in order to eliminate term limits, significantly increase executive power, and pave the way for the construction of a socialist economy, these moves

may appear to be the desperate attempts of a strongman losing his grip on power. On the other hand, it is not the first time that Chávez has tried these tactics. Indeed, one of the reasons why a strategy of provoking open confrontation is appealing to the Venezuelan leader is that it has worked admirably well in the past.

In the context of the political crisis of 2002–03, in which the government saw its hold on power severely threatened, it was precisely the ability to provoke the opposition into an open conflict that saved the day for Chávez. Thus it is only logical that the Venezuelan leader will now be on the lookout for an opportunity to redeploy this tactic. Since Venezuela's traditional elites are already too discredited and marginalized to constitute a credible threat (and new political groups such as the student movement have intelligently avoided the government's provocations), the readiest enemies available would appear to be external: Colombia, the multinational oil companies, and the United States.

While Hugo Chávez is certainly wounded by the electoral defeat in the December referendum, he is no more wounded now than he was in March 2002. At that point, opinion surveys put his approval ratings percentage in the low 30s, the country had just undergone a balance of payments crisis that had culminated in a harsh devaluation, and gross domestic product (GDP) had declined by 4.4 percent. But by provoking the Venezuelan opposition into attempting an unconstitutional capture of power, and later into calling a national strike that deepened the recession, Chávez was able to shift blame for the economy's dismal performance onto his political opponents while using the conflict to rally his base of supporters. Meanwhile, he bought vital time to deploy a new political strategy based on two key pillars: reverting the widespread perception that his government was inefficient in attacking the problems of poverty and inequality, and using the over-

whelming power of Venezuela's petro-state to punish dissenters and reward those loyal to the regime, thus significantly raising the cost of opposition.

Social Policies: Myth and Reality

Most analyses of the turnaround in Venezuelan public opinion in 2002–03, a period during which Chávez's approval ratings significantly increased, attribute a significant role to changes in social policies. In particular, it has become commonplace to attribute Chávez's victory in the 2004 recall referendum to the ambitious and high-profile drive to implement a set of new social programs called the *misiones* (literally, "missions")—no fewer than 15 programs with emphases ranging from adult education (*Misión Robinson*, *Misión Ribas*, and *Misión Sucre*), healthcare (*Misión Barrio Adentro* and *Misión Milagro*), retraining of unemployed workers (*Misión Vuelvan Caras*), and sales of subsidized food staples to low-income consumers (*Misión Mercal*).

Interestingly, most analyses of the *misiones* conveniently forget that these programs came into being only during 2003, Chávez's fifth year in office—a year that would have also been his last, had he not promoted and won a constitutional reform in 1999 that allowed him to extend his stay by several years. Before 2003, all Venezuelan anti-poverty programs were coordinated by the chronically underfunded *Fondo Único Social* (Consolidated Social Fund), and the overwhelming majority of them consisted of the continuation of programs started during the previous administration of President Rafael Caldera (1994–98).

The first *misiones* come into being almost at the same time as Chávez reached the midpoint of his 2000–06 mandate following the approval of the 1999 constitutional reform. This coincidence is not trivial: the midpoint of Chávez's constitutional term also marked the moment from which the opposition could collect signatures to hold a binding recall referendum on his rule. While the

government did everything possible to fight the referendum petitions, it also knew sooner or later that it would have to face elections, and that it needed a strategy to revert its marked decline in popularity. The *misiones* thus had as their primary objective, political as much as social, to alter the image shared by the majority of Venezuelans—as well as many observers elsewhere—of the Chávez administration as ineffectual in dealing with such key problems as poverty and inequality.

The *misiones* were also created only months after the Venezuelan opposition's strategic blunder of calling for an indefinite national strike in December of 2002. The failure of the strike left the opposition in disarray but still dominated by radical anti-government groups. At the same time, the strike allowed the government to shift blame for the country's recession onto the opposition. The blame was well-deserved—estimates of the strike's effect suggest that it cost the country upwards of 10 percent of GDP.³ But it also occurred in the context of a recession already underway which, had it been left to continue on its own, would have significantly eroded Chávez's popularity.

Therefore, in mid-2003, Chávez was able to use his victory over the strikers to convince voters that the opposition's economic sabotage had not allowed him to effectively govern. When combined with his new policy initiatives—and, luckily for Chávez, with soaring oil prices—the government enjoyed a political honeymoon very much like that commonly accorded governments in their first years in power. It is in this context that we must interpret the high approval ratings for the *misiones* immediately following their creation—as the approval of new policies directed at fighting poverty that were just starting to be implemented, rather than as an evaluation of the effectiveness of long-standing policies.

Indeed, there is little evidence that these policies had a significant effect on Venezuela's

human development indicators.⁴ The rate of poverty reduction between 2003 and 2007 has actually been less than what one would expect given the country's oil-fuelled economic expansion. The distribution of income has deteriorated,⁵ and infant mortality has essentially followed the declining pre-Chávez trend. Some health and human development indicators, such as the percentage of underweight newborns or the share of families living in dwellings with dirt floors, display worrying increases. In sum, the “Chávez is good for the poor” hypothesis is inconsistent with the facts.

Despite these failures, the image of the Chávez administration as having significantly redistributed oil revenues to the poor is ubiquitous. For example, editorialists at *The New York Times* have written that “unlike most of his recent predecessors, [Chávez] has made programs directed at the everyday problems of the poor—illiteracy, the hunger for land and inferior health care—the central theme of his administration, and he has been able to use higher-than-expected oil revenues to advance social welfare.”⁶ This contrasts with the evaluation Venezuelans themselves make of the government's anti-poverty programs: a recent survey taken by the Venezuelan polling firm *Alfredo Keller y Asociados* found that 77 percent of those polled thought that poverty levels had either stayed the same or had deteriorated under Chávez. To understand how this gap between the image of the Chávez administration abroad and its reality at home has emerged, it is useful to look at one of Venezuela's flagship social programs.

Freed from Illiteracy?

On October 28, 2005, Hugo Chávez declared Venezuela “Illiteracy-Free Territory” (*Territorio Libre de Analfabetismo*) in a nationally televised event held in the capital's Teresa Carreño Theater.⁷ This achievement appeared to be a crowning success of *Misión Robinson*, launched on July 1, 2003. By any standard, the mobilization of

economic and human resources officially claimed for *Misión Robinson* is massive: the government asserted that 1–2 percent of the national labor force was employed as trainers in the literacy campaign, and that 1.5 million adults were taught to read and write. Given the magnitude of these efforts, one should readily see the effects of this program in the national data. Previous attempts to do so, however, were hampered by the lack of consistent official estimates of illiteracy rates before and after the program.

In recent joint research with Daniel Ortega of *Instituto de Estudio Superiores de Administración* (IESA), a Caracas business school,⁸ we have used responses to a literacy question in the Household Surveys carried out by the Venezuelan National Statistical Institute to estimate literacy rates from 1975 to 2005, allowing us to study efficacy of the *Misión Robinson* program. Our results show no evidence of the dramatic reduction in illiteracy claimed by the government. According to our estimates, in the second semester of 2005—just after the official declaration of the eradication of illiteracy—there were still 1,014,441 illiterate Venezuelans over age 15, only slightly less than the estimate for the first semester of 2003 (before *Robinson* began) of 1,107,793 persons. Because of population growth, this small reduction in the absolute number of illiterate Venezuelans coincides with a moderate drop in the illiteracy rate from 6.5 percent to 5.6 percent of the over-15 population.

This increase in literacy during the period of program implementation is nothing more than the continuation of a long-term trend. Between the first semester of 2003 and the second semester of 2005, literacy increased at a yearly rate of 0.38 percent—hardly a stellar achievement, given that under the prior Caldera administration, it had increased at a yearly rate of 0.48 percent.

Further rigorous analysis failed to uncover any systematic effect of *Misión Robin-*

son on Venezuelan literacy.⁹ A battery of econometric tests consistently generated small, statistically insignificant effects. In other words, the evidence suggests that most of the decline in the absolute illiteracy numbers—93,352 persons according to our best estimate—is due to the changing age structure (particularly the deaths of older, previously illiterate persons and their replacement by younger, literate ones) than to any effect of the government's literacy program.

Not only was the program a failure—it was an expensive one. According to Ministry of Finance data, the government invested \$50 million in *Robinson*.¹⁰ Even if we were to attribute the whole of the decline in absolute illiteracy to the program—probably a gross overestimate—the estimated cost would be \$536 per pupil who learned to read. In contrast, a recent United Nations Educational, Scientific and Cultural Organization (UNESCO) study of 29 international adult literacy programs estimated the average cost per successful learner to be \$47 in sub-Saharan Africa, \$30 in Asia, and \$61 in Latin America.¹¹ The costliest program surveyed was Bolivia's *Ayuda en Acción* program, at \$199 per successful pupil. Even under highly optimistic assumptions, *Robinson* cost more than twice as much as the Bolivian program.

The data, in other words, paints a picture of a stunning failure of a flagship social program. This should not surprise those familiar with large-scale literacy programs. Previous research shows that they tend to be plagued by low initial enrollments, high dropout rates, and rapid loss of acquired skills, with the percentage of students that pass exams after taking these programs generally less than 50 percent and occasionally as low as 8 percent. The poor results have bred skepticism, a main cause for the nearly complete halt in World Bank financing of adult literacy programs since 1990.

The results are also not surprising when one examines the details of the government's

claims. The inconsistencies that arise from even a cursory look at official statements about *Misión Robinson* are enough to generate considerable skepticism. For starters, there is the fact that the government claims to have taught 1.5 million Venezuelans how to read and write, despite the fact that the 2001 census, carried out just two years before the start of *Robinson*, reported only 1.08 million Venezuelans over 15 were illiterate. Indeed, official census data shows that the absolute number of Venezuelans who do not know how to read and write has never exceeded 1.5 million adults since 1936—the year of the nation's first census.

Closer analysis reveals deeper inconsistencies. The Education Ministry claims that 210,353 trainers were involved in the program, while the Ministry of Planning and Development reports a more conservative 110,703 trainers. Even the smaller figure amounts to a mobilization of 0.9 percent of the nation's labor force. There is no evidence either in the employment data or in the official budget statistics that this many people were actually hired by the Venezuelan government. Moreover, paying them the official remuneration for trainers would have cost at least \$265 million—more than five times the total \$50 million budget allocated to *Misión Robinson*.¹² These inconsistencies suggest that the government grossly exaggerated the size of the program effort.

Duped by Hugo?

Given the lack of solid data to back the government's claim—as well the implausibility of the claim itself—why did so many people outside and inside Venezuela give credence to the official story? The eradication of illiteracy by the Chávez administration was taken at face value not only by the mainstream media but also by many specialists. A recent article in the *San Francisco Chronicle*, for example, reported that “illiteracy, formerly at 10 percent of the population, has been completely eliminated.” UNESCO's 2006 *Education for All*

Global Monitoring Report claims that 1 million people learned to read and write in Venezuela between July and December 2003. (The source cited for this information is a presentation made at the UNESCO meetings by the Cuban Communist Party organization *Juventud Rebelde*.)

Recognition and applause for the supposed Venezuelan success was of great benefit to the Chávez administration. During the televised declaration of Venezuela as “Illiteracy-Free Territory” in October 2005, congratulatory notes from Spanish Prime Minister José Luis Rodríguez Zapatero and UNESCO General Secretary Koichiro Matsuura were read aloud. The latter carried particularly strong praise:

The achievements reached by *Misión Robinson* would not have been possible were it not for the political will and support at the highest levels and for that, President Hugo Chávez Frías merits warm congratulations.... This is an example of a national compromise that I hope will serve as inspiration to others to accelerate their actions and free their countries, and the world in general, of the burden of illiteracy.

How the government convinced so many people of its success in illiteracy eradication despite the complete absence of independently verified evidence is in itself the subject of a potentially fascinating study. A possible explanation is the Chávez administration's intelligent strategy of actively lobbying foreign governments and launching a high-profile public relations campaign spearheaded by the Washington-based Venezuela Information Office. According to the U.S. Justice Department's report on political activities under the Foreign Agents Registration Act, the Chávez administration has spent \$9 million in lobbying activities in the United States since 1999. This does

not include the direct cost of a number of initiatives meant to bolster the country's image—in particular the Venezuelan-owned oil company Citgo's distribution of heating oil at a 40 percent discount to families in 18 states.

Chávez's success is less the result of deception than a measure of what many Americans and Europeans would like to believe. He has galvanized much of the international Left with an ideal of a popular democratic revolution that has redressed deep social injustices. The injustices do indeed exist, and rectifying them should be a fundamental component of any strategy for promoting equitable growth in the region. But it is one thing to recognize injustices and another to enshrine every neo-populist as a social revolutionary.

The predicament of ordinary Venezuelans is illustrated by the story of Diego Soto, a government supporter who recounts his experience on the pro-Chávez web site www.aporrea.org.¹³ Soto observed that no one had set up *Misión Robinson* in his neighborhood and decided to do so himself in early 2006, after the eradication declaration had already been made. He found 13 people in his neighborhood who did not know how to read and write, and decided to organize a literacy class. He recounts visiting six different government offices and speaking to ten different government officials in order to request the instructional materials for the "Yo Sí Puedo" ("Yes, I Can") classes. All the government officials refused to help or even recognize that his claim was true. How could they, since their government no longer recognizes the existence of illiteracy in Venezuela?

The Price of Political Opposition

The second component of the government's strategy for beating back the opposition challenge after 2002 consisted in devising a complex mechanism of punishment and reward employing the full force of the state—including access to oil revenues—to signifi-

cantly raise the costs of participating in the political opposition. The centerpiece of this strategy was the infamous Tascón List, which contained the names and addresses of all Venezuelans who signed petitions to hold a recall referendum against Chávez between 2002 and 2004. By publicly revealing the identity of those who had aligned with the opposition, the government significantly altered Venezuela's political landscape.

Shortly after the failure of the April 2002 coup against Chávez, the opposition regrouped around new tactics to force the president from office. Opinion surveys showed that, despite the failed coup, Chávez's popularity ratings hovered just above 30 percent.¹⁴ Presidential elections, however, were not due until 2006. Two alternative avenues of action were open. The first was to exert pressure on Chávez to resign or call early elections through continued demonstrations and strikes. The second was to take advantage of a clause in the Constitution allowing early elections to be called through popular initiative.

The possibility of petitioning to hold an election was a novel feature of the 1999 Constitution. An election could be triggered if a petition was signed by a pre-specified fraction of registered voters. The fraction varied according to the nature of the referendum: for revoking specific laws or general matters of national interest, the threshold was 10 percent of registered voters; for a constitutional amendment, reform, or the convening of a new Constituent Assembly, it was 15 percent; and, to recall the mandate of an elected official, it was 20 percent. The last of these could only be implemented after the midpoint of the official's term had elapsed.¹⁵

Venezuela's opposition groups decided to combine strategies, calling for mass demonstrations and general strikes (which culminated in the two-month strike of December 2002 to January 2003), while also petitioning for early elections. Since Chávez's term in office was due to reach its

midpoint in August 2003, the recall referendum could not yet be conducted in 2002—so opposition groups decided to collect signatures for other reforms. The first such petition called for holding a non-binding “consultative referendum” demanding Chávez’s voluntary resignation. Opposition groups collected 1.57 million signatures—32 percent more than the 10 percent threshold—and submitted them to the National Electoral Council (*Consejo Nacional Electoral*, henceforth CNE) in November 2002.¹⁶ Although the signatures were accepted by the CNE, whose board actually fixed February 2, 2003, as the date for the consultative referendum, the Supreme Court invalidated that decision and stripped the CNE of its authority to call for new elections. It also ordered the National Assembly to name a new CNE board.

Chastened, but unbowed, the opposition then proceeded to collect signatures for two further steps: a constitutional amendment to reduce the presidential period to four years, thus bringing forward the midpoint of Chávez’s mandate (and the possibility of a recall referendum) to August 2002; and a recall referendum, as established in the Constitution, to be held in August 2003. Although the opposition, organized under the multi-party *Coordinadora Democrática* (Democratic Coordinator), collected 3.28 million and 2.79 million signatures respectively for the amendment and recall referendum, they decided to wait until the midpoint of Chávez’s mandate—August 19, 2003—to submit them to the CNE. Six days later, on August 25, the Constitutional Court named a new CNE board, a majority comprised of government supporters, which promptly proceeded to invalidate this new set of signatures in September 2003.

The new CNE proceeded to define a set of rules that would govern the collection of signatures for recall referenda. It established that signatures had to be collected in some 2,700 signing booths where the identity of the signers could be verified by council

officials. It also established that the collection of signatures had to take place in a pre-defined four-day period. The CNE fixed the period of November 28–December 1, 2003, for the collection of signatures. Simultaneously, President Chávez, in reprisal, ordered the collection of signatures to hold recall referenda for 38 opposition deputies, scheduled by the CNE for November 21–24.¹⁷

On December 16, a coalition of pro-government groups presented signatures of 2,669,684 voters in support of recall referenda against opposition deputies, exceeding the 20 percent threshold in 37 of the 38 cases.¹⁸ Three days later, the *Coordinadora Democrática* submitted 3,479,120 signatures in support of the petition seeking a recall referendum on Chávez, exceeding by more than 1 million signatures the 20 percent threshold. But, before the opposition’s petition drive had even finished, President Chávez publicly denounced it as a “mega fraud,” claiming that many of the signatures would be forged, and requesting that the CNE carry out an exhaustive review before accepting them.¹⁹ The table was set for a showdown.

More than two months later, the CNE validated 1,910,965 opposition signatures on the presidential recall referendum and invalidated 375,241. The remaining 1,192,914 signatures were classified as “under observation.” The CNE decided that it would not accept these names as valid unless they were ratified, or “repaired” by the original signers. In order to reach the 20 percent threshold, the opposition would have to ratify 44 percent of signatures under observation.²⁰ A similar standard was applied to the petitions to recall the 38 opposition deputies: two were declared valid, 29 invalid, and in the remaining seven cases the validity would depend on the ratification of signatures “under observation.”²¹

The CNE scheduled a new four day period (May 28–31, 2004) for the ratification of signatures. It also allowed valid signers to withdraw their signatures if they had

changed their minds. The end result was that the opposition passed the 20 percent threshold by 105,556 valid signatures and the referendum was scheduled for August 15, 2004.²² This turned out to be a propitious time for the government to hold elections. As an increase in oil prices fueled a rapid recovery from the national strike, Chávez's popularity bounced back. In the final official tally, Chávez was supported by 59.1 percent of those voting (5.8 million), with 40.6 percent (4.0 million) voting in favor of his recall. Although the opposition claimed fraud, the Organization of American States and Carter Center observers vouched for the legitimacy of the vote.²³

The Tascón and Maisanta Lists

The possibility of revoking an elected official's mandate by petition was a novel feature of Venezuelan politics. Its closest predecessor, a provision of the 1997 electoral suffrage law that allowed 10 percent of registered voters to call a referendum on matters of national interest, had never been invoked. Although uncommon, this right of a recall is not unique to Venezuela—several U.S. states and the Canadian province of British Columbia also allow recall referenda for regional officials.

One feature of the Venezuelan system is that it requires widespread participation in any recall drive. By contrast, California's electoral law—invoked in Governor Gray Davis's 2003 recall election—allows a referendum to be initiated by 12 percent of votes cast in the previous election (equivalent to 6.1 percent of registered voters in 2003) and gives petitioners 160 days to collect signatures. The much higher Venezuelan threshold—20 percent of registered voters in only four days—meant that recall organizers could not rely only on hard-core supporters; they had to appeal to broad sectors of the population, including groups of citizens—such as public sector employees—vulnerable to government pressure. With such a huge number of signatures required, there was

significant incentive for anti-Chávez groups to pressure potential signers under their influence, in particular the employees of firms owned by government opponents or public employees of local governments under opposition control.

Accusations of pressure on petition signers began to surface almost as soon as the first petitions were introduced. In January 2003, the pro-government legislator Luis Tascón accused the opposition of forging the signatures for its consultative referendum petition and announced that he would publish the list of signers on his website.²⁴ Transparency was the ostensible reason: citizens could thus check if their signature had been somehow forged by the opposition. Opposition leaders, in contrast, countered that the list was being used to force public officials to choose between being fired or alleging that their signature had been forged.²⁵

How exactly Tascón obtained the list of signers is unclear. Tascón claimed that the list had arrived in an envelope that had been sent anonymously to his office.²⁶ The president of the CNE later launched an investigation on whether the list had been stolen from the council databases.²⁷ Such an inquest, however, required the collaboration of investigators under control of the presidency or Attorney General Isaías Rodríguez, a former Chávez vice-president. It was never concluded.

The Tascón website was subsequently updated with the list of signers of the November-December 2003 CNE-supervised signature collection. In September 2004, shortly after the opposition presented a new set of signatures to the CNE, Tascón claimed to have received letters from more than 2,000 persons whose names had been falsely listed in this new set of signatures.²⁸ Vice-President José Vicente Rangel asked the attorney general to open a judicial investigation against *Símate*, the pro-opposition group in charge of supervising the collection of signatures.²⁹

The electronic database of signatures was later collected into a program called *Maisanta* (also known as *Batalla de Santa Inés* 1.10), an application that allowed users to search the CNE database for information on indicators of the political preferences of a given registered voter, including whether he or she signed either the recall referendum petition against Chávez, or that against opposition deputies. The program covered all voters in the electoral registry as of March 2004, totaling 12,394,109 records. Bootlegged versions of the database were sold by street vendors in Caracas, and were often made available on several web sites.³⁰

Accusations that the *Maisanta* and Tascón databases were used to screen job applicants were widespread by early 2005.³¹ On April 15, 2005, President Chávez acknowledged that the list had been used to screen applicants, and called for an end to the practice. In a televised cabinet meeting to which he invited opposition mayors, he declared: "There are still places that use Tascón's List to determine who gets a job and who doesn't.... That's over. Bury Tascón's List. Surely it had an important role at one time, but not now."³²

Perhaps the most carefully documented case is that of three contract workers of the National Borders Council, an office of the vice-presidency, who alleged that they were fired for signing the recall referendum petition. One worker, Rocío San Miguel, taped two phone conversations with superiors who indicated that she and her colleagues were being fired for having signed the recall petition. San Miguel and her co-workers brought the case before a Venezuelan court, which ruled that the government had the right to rescind any job contract, regardless of the cause. After their appeal was turned down by the Venezuelan Supreme Court on procedural grounds, the plaintiffs took the case to the Inter-American Commission on Human Rights.³³

A common element in many of these anecdotal accounts is that superiors indicated

that one way to avoid being fired was to retract the signature. San Miguel's recorded conversation with her superior included their discussion of a co-worker whose firing had been ordered but was reversed when he claimed that another person had used his identity card in his place and then promised not to participate in the signature ratification process.

Identifying the Cost

Despite the abundance of anecdotal evidence that the Tascón list had been used to screen applicants for government jobs and contracts, confirming its use was extremely difficult. Indeed, many government sympathizers have claimed that the use of this list was not systematic, that it did not constitute government policy, and that the existing anecdotes are reflective of only exceptional cases. In research with Edward Miguel and Chang-Tai Hsieh of University of California-Berkeley and Daniel Ortega of IESA,³⁴ we have been able to track the evolution in the incomes of Venezuelans who signed the recall referendum petition versus those who signed the pro-government petition or who opted not to subscribe to either petition.

We were able to do this by cross-referencing the Venezuelan National Statistical Institute's Households Survey and Industrial Survey to the *Maisanta* list. In the case of the Households Survey, which collects data on the employment status and incomes of a representative sample of more than 150,000 Venezuelans twice a year, an accurate assessment was possible because both databases contain information on an individual's parish, exact birthdate, and gender, thus allowing us to uniquely identify through *Maisanta* the political leanings of 64 percent of registered Venezuelan voters. In the case of the Industrial Survey, which collects data on the production decisions of a sample of representative businesses and industries, we are able to identify the political leaning of the board members of

453 corporations that account for a third of Venezuelan manufacturing production.

We found that Venezuelans who subscribed to the opposition's recall referendum petition experienced a decline of 3.9 percent in their incomes relative to non-signers. This decline occurred because they were less likely to work in the public sector and more likely to end up in the lower-paying informal sector, which is made up of legally unregistered firms. Interestingly, individuals who subscribed the pro-Chávez petitions did not benefit in the labor market, with the evolution in their incomes after 2003 being statistically indistinguishable from those of non-signers.

The results are more marked in the case of private sector corporations. According to our estimates, a firm whose board members subscribed to the recall petition against Chávez experienced an increase of 33 percent in taxes assessed. Anecdotal evidence suggests that the main mechanism was the use of selective tax audits targeted at opposition firms. A corporation of average size whose board members signed the anti-Chávez petition was assessed \$76,340 more in taxes than one whose board members remained neutral.

We also found evidence that the government was able to channel resources directly to pro-government corporations through the manipulation of foreign exchange allocations. Since 2003, purchases of foreign exchange in Venezuela must be approved by the government *Comisión de Administración de Divisas* (Commission on the Administration of Foreign Exchange). This gives the government the power to determine what firms have access to foreign currency necessary to buy imported inputs and capital goods. Pro-government firms received an average of 55 percent more foreign exchange than firms that remained neutral; pro-opposition firms, in contrast, received 51 percent less foreign exchange than neutral firms. Thus, there exists an interesting asymmetry in our results: while we find evidence that the gov-

ernment was able to punish its opponents through both the labor market (which would affect low and middle income individuals) and through the management of taxes and foreign exchange (which affected wealthy individuals likely to be on the boards of private sector firms), when it came to rewarding its supporters, the large gains did not seem to trickle down to lower-income government supporters.³⁵

In sum, Venezuelans who joined the opposition paid a substantial economic cost—while higher-income individuals who sided with Chávez appeared to have reaped significant benefits. Not surprisingly, Venezuela's opposition withered after 2004, and many Venezuelans voiced concerns that their freedom to participate in the political process had become severely circumscribed. For example, a 2006 pre-election Associated Press survey showed that 57 percent of Venezuelans feared that people would face reprisals depending on how they voted in the presidential elections, while only 42 percent believed that their votes would be kept secret.³⁶ Skepticism about the integrity of the electoral process led to high abstention levels among opposition supporters, allowing Chávez to coast to a comfortable victory in the 2006 election. However, a steady deterioration of economic conditions during 2007—including the emergence of chronic food shortages and the popular anger over the government's revocation of the public spectrum license of the nation's oldest private television station, Radio Caracas Televisión (RCTV), reenergized the opposition to mount a successful challenge to the government's attempt to again rewrite the Constitution in the December 2007 referendum.

A Strategy of Conflict

Chávez's political strategy in response to the 2002 crisis of governability was three-pronged. He needed, first, to manufacture an enemy that could be blamed for the nation's economic crisis. Venezuelan economic

elites played into the government's game: had they let the economic crisis run its course, it would have become more difficult for Chávez to avoid the blame for the 2002–03 recession. Second, he needed a public relations strategy that would allow him to claim that his government was genuinely helping the poor. Despite their lack of tangible achievements, the *misiones* played that role. Third, he needed an effective mechanism to ensure that those who decided to oppose him internally would face a significant economic cost. The blacklisting of millions of persons who signed the recall referendum petition raised the price of political opposition and allowed *chavismo* (the term commonly used to denote the political forces backing Hugo Chávez) to consolidate itself as the dominant political force in the nation.

Chávez is now in a predicament that is remarkably similar to that which he faced six years ago. In early 2008, all opinion surveys pointed to a significant deterioration in the government's popularity. According to the Venezuelan survey firm *Datos*, the percentage of those who claimed to either moderately or strongly support the government fell to 34 percent, its lowest level since the third quarter of 2003. Large majorities now blame Chávez for most of the nation's problems, ranging from crime and corruption to unemployment and food scarcities.³⁷

This pattern of public opinion commonly emerges during economic slowdowns, and indeed some indicators suggest that Venezuela may well be entering a downturn this year: according to the Central Bank, real wages declined by 5.1 percent during the first three months of 2008, and Venezuela's annualized inflation reached 29.3 percent, its highest value since 2003. The fact that this deterioration in economic conditions occurs despite a ten-fold increase in oil prices illustrates the extent to which the government's economic policies have failed to address the key distortions in

Venezuela's economy. Regional elections scheduled for the end of this year, as well as vital parliamentary elections in 2010, pose significant risks to Chávez's hold on power (which will end in 2012 so long as the present Constitution remains in place).

In order to replay his 2003 strategy, Chávez will need a new enemy. While he could try to provoke domestic political forces into that role, much of the Venezuelan opposition seems aware of the high costs that they paid by buying into the strategy of confrontation in 2002–03. Chávez has also had to contend with the emergence of a new student movement which captured public attention during last year's protests against the closing of RCTV, and which has added new energy to the Venezuelan opposition. Furthermore, while Chávez has attempted to present the student leaders as the children of privileged elites, opinion surveys have repeatedly shown very high levels of support for this movement, which by hewing to non-violent confrontation has clearly distinguished itself from traditional opposition groups.

Chávez's more likely option is to promote an external enemy. This explains the president's growing willingness to seek confrontation with Colombia and the United States. The benefit of an open armed confrontation for Chávez is that it would allow him more easily to avoid blame for worsening economic conditions. The risk, of course, is that Venezuela could lose the conflict, leading to a collapse of the regime. To a certain extent, the most favorable development for Chávez would be a drawn-out stalemate in the style of the Iran-Iraq war in the 1980s, which would give him the excuse to suspend elections and quell internal dissent.

An alternative, somewhat less risky, move for Chávez, would be to provoke the United States into imposing economic sanctions on Venezuela. These sanctions may already be in motion: U.S. Representatives Connie Mack (R-FL) and Ileana Ros-Lehtinen

(R-FL) are calling to include Venezuela in the list of state sponsors of terrorism because of its support for Colombia's FARC guerillas. The probability of such an event appears to have increased after the recent revelation of computer files documenting the extent of the financial, logistical, and political support given by the Venezuelan government to FARC. Adding Venezuela to the state sponsors of terrorism list would significantly raise the costs of U.S. firms operating in Venezuela and could serve as a basis for Congress to impose restrictions on purchases of oil from Venezuela—similar to those currently in force for Cuba and Iran. However, U.S. lawmakers may balk before imposing full-fledged sanctions, especially in an election year, as these could cause higher gasoline prices.

A third option would be for Chávez to manufacture an incident that would allow him to suspend oil shipments to the United States. Such an incident could take the form of a “discovery” of a U.S.-backed coup attempt or assassination plot.³⁸ While many analysts have discounted this possibility because of its high cost to Venezuela, which exports nearly two-thirds of its oil to the United States, it is important to bear in mind that Chávez’s calculation is political, not economic. In 2003, the paralysis of the Venezuelan oil industry caused huge economic losses to the government. It also served to strengthen Chávez politically by allowing him to dodge the blame for the ensuing recession and to fire thousands of opposition supporters in key positions within the oil industry. History is filled with cases of authoritarian governments that have seen their hold on power tighten in the context of a declining economy. When a regime’s survival is at stake, political considerations trump economic ones.

Beware the Wounded Tiger

Dick Motta, a longtime coach in the U.S. National Basketball Association, was famous for his “wounded tiger theory,” which al-

lowed that a team that suffered an injury or loss would always react by playing more aggressively, thus becoming extremely difficult to subdue. Motta could just as well have been talking about Latin American politics. Those who discount Chávez because of his loss in last December’s referendum ignore the fact that his incentive to fight aggressively comes precisely from the fact that the cost of giving up power is so high. His lack of respect for international diplomacy as well as his antagonization of most of Venezuelan civil society do not bode well: Chávez is unlikely to peacefully coexist with the Venezuelan opposition if he leaves power. He thus is betting on an all-or-nothing strategy. The international community has the responsibility of doing all within its reach to protect Venezuelans and their neighbors from the wounded tiger’s last stand. ●

Notes

1. On March 18th, a London judge lifted the asset freeze arguing that the court did not have jurisdiction over PDVSA’s assets. See Tom Bergin “Court lifts Exxon freeze on Venezuelan assets,” Reuters, March 19, 2008.

2. Daniel Wilkinson, “Chávez’s Fix,” *The Nation*, March 10, 2008, pp. 31–41.

3. “Informe sobre el impacto de la huelga general sobre las perspectivas económicas y fiscales del 2003,” (Caracas: Oficina de Asesoría Económica y Financiera de la Asamblea Nacional).

4. Francisco Rodríguez, “An Empty Revolution: The Unfulfilled Promises of Hugo Chávez,” *Foreign Affairs*, March/April 2008, pp. 49–62.

5. Venezuela’s Central Bank calculates that the share of the lowest quintile in total income reflected in its Family Expenditure Survey declined from 6.3 percent to 4.1 percent between 1997 and 2005. The World Bank also calculates a decline using the alternative Households Survey, from 4.1 percent to 3.7 percent, during the 1998–2005 period. In contrast, the Venezuelan Statistical Institute claims that this share in the Households Survey actually increased from 4.1 percent to 4.6 percent during the same period; its results appear to be due to a set of

questionable methodological assumptions. For example, in contrast to the World Bank, the National Statistical Institute excludes households with no income from this indicator. See Banco Central de Venezuela, Encuesta Nacional de Presupuestos Familiares: Principales Resultados, 2007; CEDLAS and World Bank, Socio-Economic Database for Latin America 2008, available at www.depeco.econo.unlp.edu.ar/cedlas/sedlac/excel/inequality_lac.zip; as well as personal communication with World Bank staff (available upon request).

6. "Hugo Chávez Wins," *The New York Times*, August 18, 2004.

7. Gobierno Bolivariano de Venezuela (2005), "Un logro reconocido internacionalmente." The ceremony was timed to coincide with the 236th anniversary of the birth of Simón Rodríguez, the teacher of Venezuelan liberator Simón Bolívar, whose pseudonym gave *Misión Robinson* its name.

8. Daniel Ortega and Francisco Rodríguez, "Freed From Illiteracy? A Closer Look at Venezuela's Robinson Literacy Campaign," *Economic Development and Cultural Change*, forthcoming October 2008.

9. *Ibid*, secs. III–IV.

10. "Recursos Asignados a las Misiones hasta el 2005 y su Correspondiente Ejecución," (Caracas: Ministerio de Finanzas, 2006). The budgeted figure excludes the value of donations made by Cuba within the context of the Cuban-Venezuelan Cooperation Agreement, through which Venezuela receives in-kind transfers in exchange for favorable conditions in oil sales. Cuban donations to the program included 1.9 million textbooks, 200,000 literacy trainer manuals, 80,000 television sets and video cassette recorders for classroom use, 1 million literacy lesson videotapes, 2 million family libraries, and 300,000 pairs of eyeglasses.

11. *Literacy for Life: Education for All Global Monitoring Report 2006* (Paris: United Nations Educational, Scientific and Cultural Organisation).

12. Ministerio de Finanzas, 2006.

13. Available at www.aporrea.org.

14. *Análisis del Entorno Sociopolítico* (Alfredo Keller y Asociados, May 2002).

15. Gobierno Bolivariano de Venezuela, *Constitución de la República Bolivariana de Venezuela*. (Caracas: Asamblea Nacional Constituyente, 1999), articles 71, 72 and 341–348.

16. Juan Francisco Alonso, "1.574.233 firmas válidas se entregaron al CNE," *El Universal*, November 11, 2002.

17. The opposition also decided to collect signatures for the recall referenda of 35 government legislators.

18. Available at www.rnv.gov.ve/noticias/index.php?act=ST&f=2&t=1724. These numbers are not strictly comparable since signatures against opposition deputies were not collected in all jurisdictions and because signers could petition the recall of several deputies. As a fraction of potential electors, the signatures that government sympathizers claimed to have collected against opposition deputies totaled 33.13 percent of eligible voters, while those claimed to have been collected by the opposition accounted for 26.13 percent of potential voters.

19. Johanne Betancourt Pérez, "Chávez advierte que está en marcha un megafraude," *Últimas Noticias*, December 1, 2003.

20. The original CNE announcement of March 2, 2007, noted 1,832,493 valid signatures and 816,017 under observation. However, those numbers were revised upwards on April 20. See Alejandro Rodríguez, "Casi dos millones de firmas de la CD a reparos," *Últimas Noticias*, April 21, 2005.

21. The CNE also invalidated most of the signatures collected to support the recall petition against government deputies, determining that in only one of the 35 cases could the threshold be met if enough signatures were ratified.

22. An additional 11,412 signatures were excluded by the CNE.

23. Nevertheless, there has been an intense academic debate on the existence of statistical evidence of fraud.

24. Taynem Hernández, "MVR Asegura que 72 dirigentes opositores no firmaron solicitud," *El Universal*, January 15, 2003.

25. "Lepage asegura que plan contra firmazo se diseñó en Miraflores," *El Universal*, September 5, 2003.

26. Ludovico Quiñones, "Diputado Luis Tascón denuncia fraude en firmas del consultivo," *Venpres*, February 20, 2003.

27. "Sin Indra," *El Universal*, February 27, 2003.

29. "El Firmazo": 2 mil denuncias de firmas

'chimbas' ha recibido Luis Tascón a través de su página web," *Aporrea*, September 8, 2003.

30. "Venezuela: sigue polémica por firmas," BBC Mundo, September 4, 2003.

31. Confusion between the Tascón and the *Maisanta* database is common, and many Venezuelans tend to refer to both of them as the same. Indeed, since the information on Tascón's website forms a subset of *Maisanta*, the distinction should not be overblown. From the point of view of our study, what is relevant is that the list of signers was publicly available. Whether this was possible due to Tascón's website, the *Maisanta* program, or both, is of second-order importance.

32. See, for example, "Denuncian lista discriminatoria en organismos públicos," *El Universal*, August 8, 2005, and Organization of American States (2006), *Informe de la Misión de Observación Electoral en la República Bolivariana de Venezuela: Elecciones Parlamentarias 2005* (Washington, DC: Organization of American States, 2005), p. 50.

33. Helen Murphy, "Chávez's Blacklist of Venezuelan Opposition Intimidates Voters," Bloomberg, April 17, 2005.

34. Ana Julia Jatar, *Apartheid del siglo XXI: La informática al servicio de la discriminación política en Venezuela* (Caracas: Súmate, 2006) pp. 160–74.

35. Edward Miguel, Chang-Tai Hsieh, Daniel Ortega, and Francisco Rodríguez, "The Price of Political Opposition: Evidence from Venezuela's *Maisanta*," Wesleyan University, 2008.

36. See "Rise of the Boligarchs," *The Economist*, August 9, 2007, for anecdotal evidence on the emergence of profitable pro-government business groups in Venezuela.

37. "Poll Shows Chávez with strong lead," Associated Press, November 23, 2006.

38. Javier Conde, "La confianza en Chávez baja de 30% en todo el país," *El Nacional*, March 18, 2008.

39. The Venezuelan government already charges that the United States plotted the 2002 coup attempt, a charge which Washington officials deny.