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**Interest Groups in Venezuela: Lessons from the Failure of a “Model
Democracy” and the Rise of a Bolivarian Democracy**

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Abstract

This article uses the Venezuelan case to shed light on the potential role of interest group systems in discrediting liberal democracies and to identify challenges the region's democracies are likely to confront in constructing effective and fair interest group systems. It first analyzes the role Venezuela's interest groups played in discrediting its forty-year two-party democracy. It argues that the discrediting of a system heralded by many as the region's "model democracy" cannot be understood by merely assessing how the structure of the group system excluded certain groups. The study shows that the inclusion of certain business interests in visible positions of power also helped discredit the two-party democracy. The article then compares the above system with the new group system which has emerged since 1998 as part of a new democratic system inspired by Latin America's 19th century Liberator Simón Bolívar. This comparison reveals that the current system inverts the former system of inclusion and exclusion, even as it has retained a number of the old system's less virtuous features. The implications of the Venezuelan case for the region's democracies are elaborated in the conclusion.

Introduction

The role of interest groups in Venezuela over the past fifty years provides insight into their ability to discredit even liberal democratic systems. It also signals a number of challenges the region's democracies are likely to face in configuring interest group systems that present fair and effective means of representation. The Venezuelan case offers these insights because it is both a case of a liberal democratic system that became discredited and one involving two very different interest group systems that share common challenges.

Broadly speaking, the Venezuelan case affirms a number of common elements in Latin America's interest group systems that are identified in the introductory article to this Special issue. These include: a history of political elitism even within liberal democracies, the continued practice of political leaders selectively incorporating certain segments of society and their groups into the political arena (often referred to as corporatism and associated with the region's populists from the early 20th. century) and a history of political corruption.

Specifically, the analysis presented below first examines the role that interest groups played in discrediting Venezuela's earlier two-party democracy (1958-1998). Most scholars contend that the country's interest groups failed to underpin what many considered a "model democracy" because they failed to represent numerous important social constituencies, largely by excluding them from the formal political process. However, I contend that the explanation also requires an assessment of which interests were included and prominently visible within the political establishment. My study shows why the inclusion of

leading elements of business in this two-party democracy undermined efforts to overcome the public's view of the government as corrupt and unresponsive. This paved the way for the rise of Hugo Chávez and the new interest group system that has emerged since he took office in 1999. Based on this analysis, the article draws out some of the vulnerabilities which architects of today's Latin American democracies might want to avoid.

Second, the analysis compares the emerging contours of Venezuela's current interest group system with those of its predecessor. This comparison reveals that the current system can be understood as inverting the former system of inclusion and exclusion even as it has retained a number of the old system's less virtuous features. This second analysis points us towards a number of enduring challenges that Venezuela and the region's democracies are likely to confront in configuring interest group systems.

Questions Raised by Political Developments in Venezuela since 1958

The political developments of Venezuela since 1958 present several important questions for scholars of power groups, interests and interest groups. First, why did a forty-year old system of interest groups in a democratic regime collapse and what role did interest groups play in that collapse? Second, what precisely characterizes the recent reconfiguration of interest groups since its collapse and how does it compare to its predecessor?

The collapse of Venezuela's "model democracy" poses a puzzle, especially for scholars of interest groups. Venezuela's democratic system dates back to

1958 when Venezuela's last dictator, Marcos Pérez Jiménez, was overthrown. Venezuelans, including the elite, had grown weary of Pérez Jiménez's flagrant use of oil money to enrich his cronies. Eager to avoid the political cleavages which had produced Pérez Jiménez's 1948 overthrow of an earlier nascent democracy, Venezuela's three leading parties agreed to cooperate in a new democracy at a meeting held at the Venezuelan sea-side town of Punto Fijo. With the subsequent withdrawal from the pact of the Democratic Republican Union (Unión Republicana Democrática—UDR), the democratic era that followed was characterized by alternation between the two remaining parties in the presidency and top cabinet positions. These parties were the Democratic Action (Acción Democrática—AD) and the Committee for the Political Organization of an Independent Electorate (Comité de Organización Política Electoral Independiente—COPEI). Thus, we can qualify the subsequent democracy as a two-party democracy or as the Punto Fijo democracy.

Very soon after its inception, many considered this system a “model democracy” in a region plagued by authoritarianism (Alexander 1964; Martz 1966). Venezuela's central political institutions, in particular those structuring interest groups and their relationship to the democracy's two political parties, attracted attention as a potential blueprint for consolidating democracy elsewhere (Martz and Baloyra 1976; Martz and Myers 1986). The arrangement did, in fact, work fairly smoothly for thirty years or so. Scholars in the early 1990s even predicted that Venezuela's well-established two-party democracy and interest group system would be better able to absorb anti-neoliberal

sentiment than others in the region (Haggard and Kaufman 1992). As “the leading example of intensely competitive, broadly participatory electoral politics in Latin America”(Martz 1977: 93) analysts expected Venezuela’s enduring democratic institutions to help political leaders contain social unrest and forge a pro-neoliberal political consensus (McCoy and Smith 1995:12).

By the early 1990s, however, these predictions proved unduly optimistic. Venezuela could no longer be considered exceptional. Beginning in the 1980s, voter abstention increased (Buxton 2001-73) and there was a loss of confidence in both the AD and COPEI. Matters came to a head following the December 1988 election of Carlos Andrés Pérez as president. Pérez had run on the promise of restoring the prosperity he had presided over during his earlier presidency in the midst of the 1970s oil boom. Faced with declining revenue from oil as world oil prices dropped, and rising international debt, Pérez was forced to implement austerity measures shortly after he was elected. In response, riots broke out across the nation in which about 1,000 people were killed. Venezuelans subsequently became less willing to vote for either of these two parties (Maingón and Sonntag 2000), let alone to identify as members of them (Morgan 2007; Morgan 2011). Electoral support for the AD and COPEI had dropped into the single digits by the presidential election of 1998.

Instead, public sympathies turned to those who opposed the two-party dominated system of democracy including the junior military officer, Hugo Chávez Frías. Chávez galvanized public concern with the apparent inability of the government to deal with Venezuela’s mounting economic and social

problems. He gained broad support for his two failed coup attempts in 1992 against the unpopular Pérez (Constable 1992; Olmos 1992a; Olmos 1992b) and won the 1998 presidential election with the widest margin of victory in Venezuelan history (57%). This turn of events in Venezuela poses a particular challenge to those who study interest groups in Venezuela as well as the theories that the case bolsters. For this reason, scholars must reconsider the nature of interest groups in Venezuela and their potential role in the system's demise.

Venezuela's political transformation since 1999 also calls for special attention from scholars of interest group systems. Soon after his election, Chávez oversaw a re-writing of the national constitution that, as I describe below, called for a new vision of democracy. This vision was inspired, in part, by Simón Bolívar. Bolívar was one of the major architects—liberators—of Latin America's independence from Spain at the beginning of the nineteenth century. The country was renamed the Bolivarian Republic of Venezuela to reflect this shift. Hence, we can qualify this new democracy as a Bolivarian democracy (Smilde 2011). Chávez has since survived a coup attempt in 2002 and won three presidential elections. By referendum in 2009 he secured a constitutional amendment that allows presidents to seek re-election indefinitely. He is expected to win re-election in 2012.

Since Chávez took office in February 1999, there has been a major reconfiguration of interest groups and their relationship to the government. As a consequence, there have also been changes in group influence on public

policy. But what exactly is the nature of this reconfiguration? And how new is it? It is only very recently that scholars have begun to address this question with empirical research. For this reason, even those who study the matter have argued that all we really have are “emerging fragments of Venezuela’s Bolivarian democracy” (Smilde 2011: 2). Furthermore, much of what we know does not come from those who set out to study interest groups. Rather it comes from those who consider “how collective life is created...through participation in the myriad institutions...that make up Venezuelan society” (Smilde 2011) and who “explore the alliances, conflicts and mutual empowerment of state and society” (Fernandes 2010: 5). From this research we can begin to identify the main contours of what, in the parlance of this volume, we call power groups, interests and interest groups in Venezuela’s Bolivarian democracy. As I describe below, recent empirical research illuminates a new landscape of inclusion and exclusion within Venezuela’s Bolivarian democracy.

The Venezuelan case permits us a rare opportunity to explore the scope of variation in interest group systems that might occur within the same broadly similar economic and cultural conditions. The analysis below thus considers the main contours of Venezuela’s current system in relationship to its predecessor. It considers how the particular constellation of power groups, interests and interest groups which made Venezuela the envy of so many for decades might be related to the contours of the mercurial terrain of Venezuela’s current system of power groups, interests and interest groups. A comparison

of the two systems also allows us to identify some important continuities between these two interest group systems.

The Politicization and Exclusion of Interests and Interest Groups in a Two-party Democracy

To understand the role of interest groups in the loss of public support for the region's "model democracy," it is important to place them in the context of Venezuela's highly centralized political system. This centralization of party authority contributed to two discrediting features of Venezuela's two-party interest group system. It drove the politicization of interest groups and rigidified the interest group system such that it was unreceptive to emerging societal interests.

Political centralization

From 1958-98, Venezuela's political parties, and in particular their leaders, had an extraordinary degree of control over this political system. First, party leaders exerted control by deciding who could run for public office (Coppedge 1994:20-22; Myers 1986: 133). As a result of party control over nominations, only those who demonstrated loyalty to the party had an opportunity to run for elected office. Second, the party leaders exerted control by constraining the choice which citizens had regarding who would represent them. Voters opted for parties, not individuals, when they went to the polls to elect their representatives for everything from their municipality to the national

legislators. This made it virtually impossible for leaders from outside the party to emerge and win political office (Coppedge 1994:22-23). Third, the members of the national legislature (Venezuela's congress) did not constitute the central node of power within the party as might be assumed (Coppedge 1994:23-26). Rather, congressional representatives tended to vote along party lines and follow the decisions made by members of the central executive committees of their parties, many of whom did not hold elected office (Coppedge 1994: 24). Indeed, the members of the political parties' Central Executive Committee (CEN) made most of the important political decisions (Martz 1966: 214-222).

This centralization of power no doubt helped contain potential conflicts among political elites, one of the primary concerns of the architects of the democratic transition in 1958 (Levine 1973; Martz 1966; Myers 1986: 131). Yet, this centralization also created incentives for elected officials to value party loyalty over representation (Crisp 2000:11) and, therefore, to disregard their constituents (Buxton 2001: 222; Morgan 2011). These incentives help explain why so many Venezuelans felt that the two major parties did not represent their interests (Morgan 2007) as well as why party leaders were so resistant to political reforms (Buxton 2001:226; McCoy and Myers 2004:7; Molina 1998; Naim 2001). The leaders of the AD and COPEI were unwilling to let go of their tight grip on the political process (Crisp, Levine, and Rey 1995:150; Jácome 2000).

Centralization of power within the parties fostered two features of Venezuela's interest group system which further discredited the two-party

democracy. First, it fostered the politicization of interest groups. Interest groups, we might imagine, would be all the more essential in a political system such as this, where elected officials seemed more preoccupied with satisfying party leaders than their constituents. And yet, interest groups in Venezuela were often limited in their ability to effectively represent societal interests by their lack of autonomy from political parties. The parties penetrated interest groups to an unusual degree and thereby reduced their effectiveness at aggregating the interests of those in society for whom such groups ostensibly spoke (Coppedge 1994).

Party leaders in Venezuela, like their counterparts in Mexico's Institutional Revolutionary Party (Partido Revolucionario Institucional—PRI), which governed Mexico for close to seventy years down to 2000, went beyond the efforts of political leaders throughout the region and instituted a type of party corporatism.⁽¹⁾ Part of this strategy involved incorporating emergent societal interest groups into the political process. Party leaders also sought to mobilize electoral support by linking both workers and the rural poor to political parties (Collier and Collier 1991). For instance, leaders of the AD promoted peasant leagues and unions in the 1940s as they sought to galvanize public support for their party (Hillman 1994: 81; Levine 1973). Once the AD leaders gained power, they helped these organizations attract members by granting them access to decision-making in the political process (Martz 1966:156). This created “a liberal democratic regime in which labor has

traditionally been incorporated through a party-mediated process” (McCoy 1986-87:107).

Centralization and political party control of interest group activity

Party leaders in Venezuela also had a more general “preoccupation with controlling social organizations” or interest groups (Coppedge 1994:29). We see this preoccupation in the politicization of leadership contests in a wide range of interest groups. Just as union leaders competed as representatives of distinct parties, so leaders of the student movement and of professional associations eventually competed on party platforms (Coppedge 1994; Hellinger 1991).

Once under the leadership of a party loyalist, an organization could help the parties by endorsing parties, providing logistical support for electoral campaigns or extolling elected party leaders publically in the event they were criticized (Coppedge 1994:27). The parties sought to co-opt leaders of such groups by granting them privileged positions in government and thereby capturing the support of new groups, like neighborhood associations which emerged in the 1970s to demand better public services (Coppedge 1994:29; Hellinger 1991: 168). When these and other associations failed, the parties sometimes established their own organization parallel to the original civil society group, but with greater access to the political process than the original group (Coppedge 1994:29).

The politicization of interest groups undermined their independence from party leaders and further constrained citizen efforts to aggregate their interests

in groups capable of expressing their voice to decision-makers. For example, the Confederation of Venezuelan Workers (Confederación de Trabajadores de Venezuela—CTV) squelched labor movements that challenge AD policies (Hellinger 1991: 178-181) and tended to be less likely to strike during AD presidencies (Coppedge 1994:34). CTV leaders also frankly acknowledged that they rarely made decisions without first consulting the individuals who were responsible for labor matters in the party (Coppedge 1994:31-32). So the CTV often subverted the interests of their constituents in order to remain loyal to party leaders (Hellinger 1991:73, 159). While we know that labor leaders within the party did actively debate their strategy (Ellner 1989) and the CTV opposed neoliberal economic reforms with greater militancy than its counterparts in Latin America (Burgess 1999; Murillo 2000), the strategic options available to CTV leaders were more often than not constrained by their dependence on, and loyalty to, the AD.

The centralization of power also contributed to a second feature of the interest group system that discredited Venezuela's two-party democracy. It created incentives for party leaders to turn a deaf ear not only to the demands of reformers but also to the many new interests and interest groups which emerged as Venezuelan society transformed. The nation's economic growth stalled in the 1980s in the wake of the debt crisis and sliding oil prices. Neoliberal reforms compounded the negative effects of these trends, further eroding the domestic productivity of both agriculture and manufacturing (Roberts 2003a:60). These economic transformations pushed and ever-growing

part of the population into poverty and the economic insecurity of informal economic activity (Roberts 2003b:59). This growing population of urban poor (Buxton 2001:222; Buxton 2003; Canache 2004), along with other emerging interests, like intellectuals (Hillman 2004), a growing civil society (Salamanca 2004), and junior military officers (Aguero 1995; Norden 1996; Tinkunas 2004), felt excluded from the political process. Thus, scholars contend that Venezuela's political institutions failed, in part, because they remained rigid in the face of societal transformations (Crisp 1996; McCoy and Myers 2004:7) and excluded a range of new societal interests (Crisp 2000; Crisp and Levine 1998; Crisp, Levine, and Rey 1995).

In sum, the limited autonomy from partisan politics of many interest groups and the exclusion of others who remained autonomous from the party-dominated political process, are two ways that the role of interest groups can help explain the public's growing disillusionment with Venezuela's political establishment by the 1990s. But this was not the only role that interest groups played in the demise of the region's model democracy.

The Inclusion of Business Power Groups and Interests as a Catalyst for Opposition

The role that business played in Venezuela's interest group system also discredited the two-party democracy. Formal inclusion of leading members of Venezuela's business elite into the political sphere and the marked influence of power groups from several key business sectors characterized Venezuela's

interest group system during the two-party democracy. It is my contention that it was the formal inclusion of business elites in visible positions of political leadership, in particular, that discredited Venezuela's political establishment. Such visible influence, in a system where the interests of select business power groups penetrated the state and a rising tide of corruption scandals brought to light the less virtuous by-products of business intimacy with politicians, likely tarnished the business community as much as political leaders. Thus, the visible inclusion of Venezuela's business elite helped galvanize public support for opponents to the political establishment (Gates 2010a: 59-81).

The party leader-business elite connection

For decades, party leaders in Venezuela included members of Venezuela's business elite. For example, representatives from business associations made up a disproportionate part of the commissions appointed by political leaders to facilitate consultation with society over myriad policy decisions (Crisp 2000). According to my research, individuals with significant prior business experience were also consistently included in the national legislature and the economic cabinet throughout the era of two-party dominance. Both reflect the preferences of party leaders. Those included in the national legislature earned the trust of party leaders, because, as we have seen, it was party leaders who nominated national legislative candidates to the party lists. Members of the business elite were nominated to fill 6.2% of the positions available in the federal legislature between 1959 and 1998 (Gates

2010a: 73). At their peak, during the legislative session beginning in 1984, they represented 9% of all legislators.

Individuals with significant prior business experience played an even more crucial role in shaping Venezuela's economic policy. Those individuals nominated to craft this policy had earned the trust of the president, as the president appointed these cabinet-level posts. An analysis of the biographies of every economic cabinet member from 1959-98 reveals that, over half of Venezuela's economic cabinet posts were occupied by individuals with significant prior business experience. Moreover, in the final administrations during the 1990s, business elites represented an even higher share of those holding economic cabinet positions (Gates 2010a: 75). In the final Caldera presidential administration (1994-98), for example, such individuals held 68% of the economic policy-making positions.

The appointments of business executives to prominent policy-making positions publicly affirmed the potent influence of several noteworthy power groups within the two-party democracy. Foreign oil companies and domestic state-dependent businesses formed two such power groups within the interest group system of Venezuela's two-party democracy. The power of both can be traced to the centrality of oil in Venezuela's economy ever since it was discovered in the early part of the 20th century. Today, for example, Venezuela has one of the largest oil reserves in the world and oil contributes 95% of the country's export earnings, 55% of federal revenue and about 30% of Venezuela's Gross Domestic Product (Central Intelligence Agency 2012). Since

the development of Venezuela as an oil exporter, Venezuela's governments have had to negotiate the terms of their dependence on the powerful foreign oil companies who have always had more capital to explore and refine the oil. Venezuela's status as an oil producer has also enticed businesses to orient their profit-making strategies around fostering close ties with government agents, as the state possessed such immense wealth derived from oil (Naím and Francés 1995).

Oil and oil industry power groups

The multi-national corporations, who had their hand in exploring for oil, were the first important power group in all Venezuelan governments, including the two-party democracy (Tinker Salas 2009). Venezuela stands out in the region as the only country that permitted foreign-owned oil companies ("big oil") to operate its oil industry for decades after Mexico's dramatic nationalization of oil in 1938. Even after nationalization in 1976, Petroleos de Venezuela (PDVSA) was, "never fully controlled by any of the governments that technically owned it" (Parenti 2006:8). This was partly because these governments left the former executives of the big oil companies in charge of PDVSA. This choice effectively displaced the Energy Ministry in setting Venezuela's oil policy (Lander and Lopez-Maya 2002: 22).

As a result, the nation's oil policy after nationalization was set by the cadre of Venezuelan engineers and managers within PDVSA who were cultivated by the big oil companies as part of their broader project to legitimize

a foreign owned oil industry (Tinker Salas 2009). These executives shared big oil's view that "what was good for the oil industry was good for Venezuela" (Tinker Salas 2009: 5). It was under their leadership that PDVSA flagrantly disregarded the policy of the Organization of Petroleum Exporting Countries (OPEC), an organization that Venezuela helped found before nationalization. Instead of cooperating with other oil producers to maintain high prices by restricting production, PDVSA became increasingly committed to a profit strategy of increased production (Lander and Lopez-Maya 2002). Thus, in the eyes of a many Venezuelans, PDVSA did not have the best interests of the nation in sight(Tinker Salas 2009: 231). Rather, it operated like a power group within the state.

PDVSA managers further enhanced the influence of big oil within PDVSA with a series of reforms in the 1990s. For example, they opened the nation's oil industry to increased direct investment of multi-national oil corporations (Lander and Lopez-Maya 2002:21). To attract these foreign investors, the government relinquished "its ability to tax the transnationals," resulting in a net loss in government revenue from oil (Lander and Lopez-Maya 2002:21). The historical influence of big oil together with its seemingly imminent return as a potent power group in the 1990s may, in the end, have been a liability for the two-party democracy (Gates 2011). The power group of transnational oil companies was, however, not the only important power group in Venezuela.

Venezuela's oil rich state attracted demands from a host of societal interests who pressured the state to make particular economic and social

policy choices (Karl 1997). Chief among these was the second key power group: Venezuela's peculiar domestic business community. It was peculiar because its most successful members were those who could secure a piece of the state's wealth (Naím 1984). We see the expansion of this segment of the business community, in particular, during the oil boom of the 1970s. The Carlos Andrés Pérez administration's (1974-1978) sought to "sew the oil" by directing a growing share of state resources towards new state entities, often in joint ventures with favored private companies. The distribution of resources to these new state entities, however, operated outside the normal channels of accountability (Kornblith and Maingon 1985).

Increasing political corruption

The numerous corruption scandals from this period attest to the fact that many government agents accepted kickbacks and political leaders used their influence to reward financial contributors to their campaigns with these lucrative deals. This pattern of "doing business" with the state created a business community anxious about securing and retaining state access. As I have shown elsewhere (Gates 2010a: 85-110), this constituted a form of power group influence that would come to haunt the two-party system.

My systematic analysis of 392 of Venezuela's most high profile corruption scandals from 1959-98, reveals how such scandals brought to light the less favorable aspects of the intimacy between the country's political establishment and the business elite. When corruption involves business, it might entail

business executives bribing government agents, or government agents extorting fees from business managers. Either type of transaction might take place in order to facilitate some form of government authorization that a business might need to operate or to make a profit. In my corruption scandals analysis, 36% implicated businesses in a wide range of transactions (Gates 2010a: 63). Moreover, the research suggests that, during the 1990s, corruption scandals implicating business had become more prevalent and were focused on two major corruption scandals.

In the 1980s and 1990s, the media exposed a torrent of corruption scandals linked to two policy areas. One was a policy to extend a lower foreign exchange rate to businesses that imported necessary goods and services than was available to the public-at-large called the Regime of Differential Charges (Régimen de Cambios Diferenciales—RECADI). The other was financial sector regulation. All types of businesses were suspected of having secured dollars at the preferred exchange rate without proper justification. Bankers were suspected of hastening the failure of so many banks by making bad loans to their cronies. These scandals associated business with what appeared to be systemic corruption and included allegations against high-level government officials. Moreover, they revealed that the policies in these areas had institutionalized incentives for both state officials and business people to pursue illicit transactions (Pérez Perdomo 1992: 5). These scandals not only discredited business, they also suggested that Venezuela's political establishment, an establishment which placed business executives in visible

positions of leadership, had institutionalized a bias towards certain societal interests (Gates 2010a: 64-71).

The consequences: a failed “model democracy”

Not surprisingly, the public lost faith in both the political establishment and the business community. The percent of Venezuelans who had a lot of confidence in the major business interest group, FEDECAMARAS, the Venezuelan Federation of Chambers of Commerce (Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela) declined more than any other leading interest group, including labor and the Catholic Church. Those with a lot of confidence in FEDECAMARAS declined from 66% of the population in 1985 to just under 10% in 1998 (Gates 2010a: 42). Labor also fell in public confidence, but far less extensively. Venezuelans who had a lot of confidence in the major organized labor interest group, the CTV, dropped from 36% in 1985 to just over 10% in 1998. Furthermore, those dissatisfied with the political establishment and concerned with corruption had less confidence in business (Gates 2010a: 79). This suggests that the public’s declining confidence in business could be linked to the visible ties between business and the political establishment and the rising tide of corruption described above.

This growing cynicism regarding business, not just the generalized frustration with the political establishment, throws light on how the political

opposition was able to gain traction in the 1990s. It is important to understand this cynicism because disillusionment with existing political leaders does not necessarily generate support for a particular opposition candidate. Rather, it may just provoke apathy and depress voter turnout. It is only when voters are optimistic about a particular opposition candidate that they are likely to turn out to vote and defeat the political establishment (Radcliff 1994). In Venezuela, the opposition gained greatest traction with new movements, like the labor union-based Causa R and Hugo Chávez's Movement of the Fifth Republic (Movimiento de la Quinta República—MVR), that mobilized around class-based economic concerns of the economically marginalized (Buxton 2001; Hellinger 2003), rather than subverting class difference in multi-class parties (Myers 1998). Thus, to understand the demise of Venezuela's "model democracy" which, in regard to interest group representation was far from a model democracy, we must explain the appeal of such opposition movements.

As I have shown elsewhere (Gates 2010a: 56), it was Hugo Chávez's ability to earn support from the anti-business voters, not just from those dissatisfied with the existing political establishment, which helped him defeat the other political outsiders running for president in the 1998 election. Furthermore, I have shown that his anti-business supporters felt optimistic about the future, a finding that suggests that his supporters were optimistic, in part, because they trusted he would dismantle a political system in which political leaders had such close ties to business (Gates 2010a: 79). In other

words, the candidate singled out as the one most qualified as a political outsider, was the one who appeared least tied to a key system insider—business.

Inverting Inclusion and Exclusion of Power Groups, Interests and Interest Groups in a Bolivarian Democracy

The emerging contours of a new interest group system in Venezuela's Bolivarian democracy reveal an effort to invert the constellation of interests that were included and excluded in the two-party democracy. As such, they expose an underlying critique of the two-party system and a concerted effort to move away from the features of that system deemed most repugnant. Thus, while these changes certainly usher in a new era in Venezuela's interest group system, this era is intimately related to its former self. Below, I elaborate just three of the ways that the current system of interests and interest groups invert the prior system. First, the system contains an underlying critique of the power of parties within the prior system. Second, it incorporates a critique of the particular nature of bias within the prior interest-group system. Third, the current system includes a host of newly empowered citizens who are among those previously marginalized.

The marginalization of traditional political parties

The first way that the current system inverts the prior two-party system is that it has marginalized political parties from the process whereby societal

groups press their claims on the state. While Chávez formed an organization that coordinated his early electoral campaigns, the Movement of the Fifth Republic (MVR), he was careful not to call it a party. He did not call for the formation of a political party which he would head until 2007, after his government had successfully survived an attempted coup, a general strike, a recall election and his own re-election. The discrediting of the two parties at the helm of the prior system made it unfeasible for candidates who sought to compete with pro-government candidates to use either of these parties. Since 1998, the opposition to Chávez has also struggled to consolidate new parties.

The marginalization of parties reflects the deep skepticism, some might even say cynicism regarding parties and their relationship to interests and interest groups in the two-party system. That system had claimed to be a democracy “of” and “for the people.” But by the 1990s, many Venezuelans felt betrayed and no longer believed the democracy was “for the people” (Smilde 2011:24). This skepticism made Chávez’s campaign rallying cry to hold new elections for a constituent assembly that would rewrite Venezuela’s constitution a popular one (Ellner 2008:111). The constituent assembly, it was proposed, would replace any newly elected congress of representatives selected by leaders of political parties.

The Constituent Assembly put forward a new conception of democracy “by the people” (Smilde 2011:24) which marginalized, but did not eliminate, the role of parties. With pro-government representatives far outnumbering the opposition in the newly elected Constituent Assembly, the assembly embraced

Simón Bolívar's idea that the government, and its leaders, can and should strive to interpret the collective will of the people. To realize this Bolivarian ideal of democracy, the Constituent Assembly promoted participatory democracy even as it ratified enhanced powers for the executive (Ellner 2008:111). In calling for participatory democracy, the representatives sought to distinguish their proposed institutional structure of the democracy from the concept of "representative democracy" associated with Venezuela's by then widely discredited two-party democracy. A central element of this new concept of democracy was that citizens should ideally find ways to participate in governing without the mediation of parties and their attendant politicized interest groups.

The current government has sought to promote citizen participation unmediated by parties, rather than representation through parties, via a panoply of initiatives. These initiatives are in keeping with the 1999 Constitution's call for the state to "facilitate' popular input in decision making (article 162)" (Ellner 2008:177). In the first few years after Chávez was elected, many Chavistas echoed the Constitution's call for "constituent assemblies" by calling on their universities, workplaces, and neighborhoods to hold such assemblies as a means for members to have a direct say in their institutions (Ellner 2008:178). The government more actively promoted such initiatives after these "grassroots" Chavistas—those without ties to the MVR or their allied political parties (Ellner 2008:180)—proved pivotal in Chávez's defeat of an attempted coup in 2002 and after Chávez defeated the recall election of 2004

(Ellner 2008: 121).ⁱ (2) XXX . The Chavistas increased influence was due to their pivotal role in spreading the word that a coup attempt had occurred and in rallying support to bring Chávez back.

By 2005, these government-led and often state-financed initiatives included thousands of Urban Land Committees (CTUs) constituted by neighborhood residents charged with distributing land deeds, and water commissions through which local residents proposed and oversaw public works. Beginning in 2006, thousands of “small neighborhood councils” or *consejos comunales* were charged with dispersing government allocated resources for their community’s infrastructure and social projects (Ellner 2008: 126, 128).

While political parties have been marginalized since 1998, the government has demonstrated an increased willingness to institutionalize interest mediation with the formation in 2007 of the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela—PSUV)(Ellner 2008:172, 193). The formation of the PSUV has been accompanied by a shift in the government’s favored discourse from a call for “participatory democracy” to a call for “21st century socialism.” This rhetorical shift, together with the centralization of power in the executive branch and the lack of democracy with the new party (Ellner 2008:193), contradict the goals of participatory democracy and may signal a diminishing commitment to such an ideal (Smilde 2011:11). Thus, despite the efforts to promote participatory forms of governance, observers posit that Venezuela’s Bolivarian democracy is best

understood as an uneasy hybrid between direct or participatory democracy and representative democracy (López Maya and Lander 2011); one in which parties participate in regular elections, but other modes of direct relations between citizens and the government exist as important forums for interest mediation.

Marginalization of some traditional interest groups

The second way that the current system inverts the prior two-party system is what David Smilde calls “transitions in citizenship” in which those citizens and their interest groups which previously had privileged access to the state have become marginalized (Smilde 2011: 22). In doing so, the protagonists of the new system reveal their underlying critique of the bias within the previous interest group system towards some of society’s more economically advantaged members.

The government has marginalized the formal interest groups that were historically important within the two-party system, such as the Catholic Church, labor’s CTV and business’ umbrella group (FEDECAMARAS). This has been done by endorsing the creation of new “parallel” organizations (Ellner 2008:147). While hardliners in the government advocated such an endorsement early on, it was not until the head of FEDECAMARAS was appointed as temporary president during the short-lived coup attempt in April 2002, and the two-month general strike was led by labor’s CTV and business’ leading peak association, FEDECAMARAS in late 2002, that their argument gained traction (Ellner 2008: 143). Thus, in April 2003, Chávez government

allies promoted the formation of a new labor federation, The National Workers Union (UNT) (Ellner 2008: 155).

It was at this point that the government also stepped up its efforts to counter the political influence of FEDECAMARAS by fostering a new “business” sector. Within this new sector are government financed cooperatives, enterprises “comanaged” by worker unions and company management, and previously failing private enterprises now run by workers with some government input (Ellner 2008: 169). These new enterprises have bolstered some previously existing but marginalized business associations, such as the Venezuelan Federation of Chambers and Associations of Craftsmen, and Micro, Small and Medium-sized Industrial Enterprises (Federación de Cámaras y Asociaciones de Artesanos, Micros, Pequeños y Medianos Industrias y Empresas de Venezuela—FEDEINDUSTRIA), and some new “parallel” business associations (Ellner 2008: 170).

The present government has also curtailed the more informal, but no less potent, influence of power groups in the old system. For instance, the government has sought to move decision-making over the oil industry from inside the state-owned oil company PVDSA, where power group influence has historically resided, to the Energy Ministry controlled by political appointments. It has also sought to improve the government’s share of oil income by shifting away from taxing profits towards royalty payments by the oil companies; the latter being easier to collect. It has also moved to restrict new private investment in the industry (Lander and Lopez-Maya 2002:22).

In order to achieve these goals, the government undertook a controversial restructuring of PDVSA's leadership. It replaced its board of directors in March 2002 (Subero 2004:379). The government resorted to even stronger action after frustrated middle managers within PDVSA resisted the new board. These middle managers helped lead a national strike in April 2002 that culminated in pushing Chávez out of office for two days (Lander and Lopez-Maya 2002:23)ⁱⁱ and participated in the general work stoppage called for by both business and unions in December 2002 (Parenti 2006: 9).(2) The government subsequently purged 18,000, more than a third, of PDVSA's middle managers (Parenti 2006:9; Subero 2004:380). In early 2005, the Venezuelan government continued its internal transformation of PDVSA by overhauling Citgo, its subsidiary in the United States. The government replaced Citgo's chief executive and its board. In their place, the government installed managers more favorable to the government's new priorities (Romero 2005).

With the above pattern of exclusion, the government has transformed the remnants of the prior interest group system. As interest groups operating in a context where their sponsoring political parties have largely collapsed, these formerly corporatist institutionalized interests no longer subvert the interests of their members or constituents to political parties. This transformation has forced these traditional organizations to rethink their strategies. They have transformed with varying degrees of efficacy and organizational resources from system insiders to system outsiders. The prominent role of some of these previous insider organizations in opposing the current government, most

notably FEDECAMARAS's role in the 2002 coup attempt, has contributed to some skepticism regarding the "civility" of such organizations which freely embrace the mantle of "civil society."

Inclusion of "new citizens"

The third way that the current interest group system inverts the prior two-party dominated interest group system is by affirmatively including some of the societal interests that were previously excluded—by creating "new citizens" (Smilde 2011: 21). These affirmative initiatives at inclusion reflect a desire to rectify the biases of the prior system that, in essence, ignored the effective representation of some of society's most economically marginalized members. We see the hand of the government in affirmatively establishing new venues for some of Venezuela's previously excluded societal interests to participate most forcefully in 2004, after Chávez defeated the recall election (Ellner 2008: 121-126). This is when the contours of what some have called Venezuela's "state-sponsored participatory democracy" emerge more clearly (Smilde 2011).

The government's efforts have been directed especially towards segments of the population whose interest groups were either co-opted by their leaders or whose interests were ignored in the old two-party system. Thus, much of the current government's efforts have been oriented towards sectors of society like the urban and rural poor who were excluded from the formal economy. The emphasis on the neighborhood as a primary organizing unit in many of these

initiatives reflects the recognition that many Venezuelans primarily identify with their place of residence, rather than their workplace. We see this emphasis not just in the previously mentioned Urban Land Committees (CTUs) and the *consejos comunales*, but also in the form that many of the government's leading social initiatives have taken. For instance, the health, educational and job training "missions" have all been organized around neighborhoods. The government has perhaps most directly sought to promote the participation of those in the informal sector via its ambitious worker-cooperative program.

As Sujatha Fernandes' ethnographic research in Caracas' *barrios* (urban slums) reveals, the government has also assisted in amplifying the voice of cultural protagonists who call attention to the persistent forms and historical role of racism in Venezuelan society (Fernandes 2010). Obscured by the euphemistic vision of Venezuela as a mixed-race society embraced by the political leaders of the two-party system, racial stereotypes have long operated to further marginalize many of Venezuela's urban and rural poor. By sponsoring community-based religious festivals that celebrate Afro-Venezuelan and indigenous leaders and funding community radio stations, the government has affirmed the value of previously maligned social identities. In fostering "the public recognition of ignored spaces and hidden histories" (Smilde 2011: 22), the government has expanded the discourse within "civil society" to include their voices.

Government initiatives such as those above are in line with an emerging critique of the idea that a civil society free of the government's hand will necessarily represent all of society's interests and thus ensure a fair and just democracy. Instead, many scholars of Latin America's emerging democracies have concluded that civil society is often quite limited in its capacity to represent society in all its interest to government (Auyero and Swistun 2009; Roberts 1998; Shefner 2008). These limits were not due to the lack of independence of civil society groups, like Mexico's urban *colonia* residents who sought to secure infrastructural projects and land titles from the government (Shefner 2008), or the residents of a highly polluted neighborhood on the outskirts of Buenos Aires who sought to clean up their neighborhood (Auyero and Swistun 2009). Rather, the inefficacy of these civil society efforts was due to their lack of resources and access to political power. In short, their failures reflect the fact that civil society in their societies, as in all societies, tends to mirror that society's stratification. For this reason, scholars have argued that civil society tends to re-enforce society's inequalities (Roberts 1998). This insight raises questions about the ideal relationship between civil society and government. Should government more actively foster venues for those least likely to mount effective civil society organizations to represent their interests? Venezuela's Bolivarian democracy represents an experiment in answering this question in the affirmative.

Continuities across Two Interest Group Systems

Despite these dramatic changes, there remain a number of mostly troubling continuities between the system of power groups, interests and interest groups in Venezuela's Bolivarian democracy and that of the two-party system. These continuities underscore the enduring challenges of interest-group mediation in Venezuela and likely elsewhere in the region. As such, they should also temper any temptation we may have to either lionize or demonize the Chávez regime.

First, like the Punto Fijo system, the current system is one of selective inclusion and exclusion; a system similarly "structured around networks of privileged access and loyalty" (Buxton 2011: xx). In other words, both systems are biased, albeit towards different segments of society. While bias may be inevitable in any interest group system, the particular forms that bias takes varies in these two cases. Taking note of the ways that bias differs, nonetheless, can point us towards the tenor and content that critical voices within a given system are likely to take. They also indicate the likely forms that subsequent interest group systems are likely to take. As we have seen above, some of the main contours of the current interest group system represent a direct inversion of the prior system. We also saw in the previous system, how such biases can catalyze discontent in a context of economic austerity and social polarization. The current system shows how the selective exclusion of those previously favored power groups and interest groups fueled a powerful opposition that rattled political stability. Thus, regardless of the degree to

which either of these two group systems measure-up to the ideal of consolidated liberal democracy, they both reveal the liabilities of bias.

Second, the politicization of interest groups that undermined the representativeness of interest groups in the earlier two-party system continues in the current Venezuelan system of interest mediation. This politicization has taken place, despite the less prominent place of political parties in Venezuela's Bolivarian democracy. Government financing and involvement in a host of the programs described above create the expectation, if not direct pressure, on recipient groups to incorporate into their financed activities political promotions or to filter out negative representations of the government (Fernandes 2010; Schiller 2011). Access to government financing can also tempt local leaders to subvert the aims of their organization, and thus the interests it allegedly represents, in favor of government goals and/or their own personal benefit (Fernandes 2010; Pilar García-Guadilla 2011). It is important to recognize that protagonists of such state-supported efforts to promote participatory democracy often actively work to retain their autonomy from their government benefactors (Fernandes 2010; Smilde 2011). And yet, government financing today, much like the party-led penetration of interest groups in Venezuela's earlier system, creates conditions ripe for cooptation and clientelistic control of local community leaders.

A third similarity deserves to be mentioned because it exposes the inability of either system to hold the government accountable. This similarity is the corruption endemic to both systems (Gates 2010b). The quality of

corruption today bears a resemblance to the corruption typical early in the Punto-Fijo democracy. As in the first few decades of the two-party democracy (Capriles 1991:38-9; Capriles 1993: 210), corruption today seems to take root among state officials who allocate funds for social programs (Gates 2010b); that is, in the many state-sponsored efforts to promote participatory democracy (Ellner 2008: 184). In these contexts, state officials can too easily abuse their discretion over state funds to favor particular groups or friends and family, or to siphon off resources for their own personal benefit. The latter seems to have been a particular problem with the current government's worker-cooperative initiatives (Collier 2006; Ellner 2007), the majority of which have failed to prosper (Ellner 2008: 130).ⁱⁱⁱ (3)

Finally, just as the former system fostered a domestic business community dependent on the state, the current system has fostered its own state-dependent business allies. This so-called *Boliburguesia* includes not just the "new businesses" mentioned above, but also traditional businesses in state-dependent sectors of the economy such as banking and construction. These businesses constitute an important power group today, as they have in the past.

The Lessons and Implications of the Venezuelan Case

The subtitle of this Special Issue of the JOURNAL asks whether this is a new era for interest groups in Latin America or more of the same. With regard to Venezuela, there is no doubt that the past twenty years has seen major

changes. In many ways, there has been a transformation in the interest group systems that is more extensive than in most Latin American countries. But exactly in what ways is this a new era in terms of the interest group system? And, what lessons can we draw from Venezuela's experience for emerging, transitional and consolidating democracies of the region?

Before we turn to Venezuela's current group system, we should not overlook the lessons we might draw from Venezuela's earlier two-party democracy for democracies in the region in the years ahead. The analysis of this interest group system points to several potential vulnerabilities for democracies that adopt neoliberal reforms. These policies have been associated with aggravating social polarization and complicating the legitimacy of their political champions (Roberts 2008). Indeed, the unpopularity of neoliberal reforms have given rise to a new cast of political leaders who oppose Washington D.C.'s favored economic agenda of free trade, small states and deregulation (Baker and Greene 2011). Few would have guessed, however, that Venezuela would lead the region in this new direction precisely because of its interest group system. To explain the collapse of this system, I have argued, we must consider who the old interest group system included as well as who they excluded. Such an analysis reveals how the old system privileged business interests by granting business executives prominent positions within government and permitted key segments of the business to operate as a power group that penetrated the state apparatus. The Venezuelan case, thus, exposes the vulnerability of democracies characterized by inclusion of business

power groups and interests. It suggests that such inclusion of elitist interests can be a catalyst for opposition, and hence the demise of an existing democratic government.

The emerging contours of Venezuela's current group system highlight several innovations that should not be dismissed as necessarily out of step with what we might expect to find in other parts of Latin America. For example, the fact that today's system is an inversion of Venezuela's Punto Fijo interest group system suggests that new configurations of interest groups in Latin America are likely to reflect popular opinion regarding the immediately prior system of power groups, interests and interest groups. The Venezuelan case, in particular, illuminates the liabilities that may be embedded even within a democracy which for decades was widely accepted as the region's "model" of liberal democracy. We might, then, expect innovations in Latin America's group systems that emerge in the 21st century to reflect popular sentiment regarding the particular biases and perceived failings of the third wave of democratization that swept the region in the latter part of the 20th century. Indeed, we might consider whether public opinion regarding bias within the interest group systems of their democracies, not just their policy positions regarding neoliberal reforms, helped bring the region's anti-neoliberal presidents to power.

Many have argued, however, that Venezuela's current group system is nothing new. Instead, they consider it a throwback to populism. Putting aside the heated debate about how to define populism (Conniff 1999; Roberts 2006)

and the wide range of governments to which the term has been applied (Gibson 1997; Roberts 1995), Chávez shares a number of the characteristics with the original populists (Ellner 1999; Roberts 2003b). Like his predecessors of the 1930s, he uses anti-elitist rhetorical claims and cultivates electoral support through government financing of programs that create conditions ripe for clientelistic exchanges of material services for government loyalty (Ellner 2008: 172). He also similarly advocates an active role for the state in the economy, albeit not precisely in the same way as earlier populists. Chávez's evident charisma and the centralization of authority in the executive branch also parallels the personalism of many earlier populists. While there are some resemblances to earlier populists, such a comparison obscures how Venezuela's current political reality is situated within its more immediate context and hence its relevance for other democracies in the region.

There are several other ways that Venezuela's current interest group system is not new. These continuities with Venezuela's immediately prior Punto Fijo system signal some of the challenges democracies in the region are likely to face. The fact that both systems of interest groups are biased in that they affirmatively include some while excluding other societal interests and their groups, affirms that all interest group systems are biased in some way (Jordan and Thomas 2004). More precisely, it underscores how hard it may be to avoid bias in constructing electorally-based regimes in the region. In the often highly unequal societies outside the world's economic core, the interests of some in society, even among the elite (Gates 2009), are often at odds with

those of others. To create viable electoral coalitions, then, political leaders in the region have historically sought to cultivate a loyal electoral base with select segments of society (Collier and Collier 1991), thereby creating biased interest group systems. The resurgence of similar “populist” politics when democracy returned to the region, even among the region’s neoliberal champions, further affirms the ubiquity of bias (Gibson 1997; Roberts 1995). Can democracies in the region reasonably be expected, then, to avoid bias within their interest group system? If not, then what is critical is the nature of the bias and, I would argue, how that bias interacts with the stratification likely to emerge within civil society.

Finally, the common politicization of interest groups in both systems also underscores the risks of affirmative inclusion of certain interests by the government or party. While such actions may constitute a means to create a counterweight to stratified civil societies, they also tend to subvert the capacity of new forms of sponsored interest groups to effectively represent society. How can, then, the region’s democracies navigate the problem of a stratified civil society likely to leave unarticulated the demands of key sectors of society, while avoiding the pitfalls of politicizing civil society? My analysis of Venezuela suggests that these are formidable challenges for any aspiring democratic protagonists.

Notes

1. For an analysis of party corporatism as it operated under the PRI, see Rosenberg (2001).
2. The alignment of the short-lived Carmona interim presidency with the interests of the old managers at PDVSA was evidence by the fact that one of the few appointments Carmona made was to reinstate the ex-president of PDVSA whom Chávez had fired (Lander and Lopez-Maya 2002:23).
3. It is beyond the scope of this article to consider the host of reasons why current pressures for greater transparency have had limited success. Briefly, however, these include a number of government acts which have curtailed the freedom of the press, the lack of democracy within the PSUV and the susceptibility to clientelistic control of new social accounting councils designed to ensure local oversight of government funds (Ellner 2008: 184-5; Gates 2010b).

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ⁱ Their increased influence owed to their pivotal role in spreading the word that a coup attempt had occurred and in rallying support to bring Chávez back.

ⁱⁱ The alignment of the short-lived Carmona interim presidency with the interests of the old managers at PDVSA was evidence by the fact that one of the few appointments Carmona made was to reinstate the ex-president of PDVSA whom Chávez had fired (Lander and Lopez-Maya 2002:23).

ⁱⁱⁱ It is beyond the scope of this article to consider the host of reasons why current pressures for greater transparency have had limited success. Briefly, however, these include a number of government acts which have curtailed the freedom of the press, the lack of democracy within the PSUV and the susceptibility to clientelistic control of new social accounting councils designed to ensure local oversight of government funds (Ellner 2008: 184-5; Gates 2010b).