DEMOCRATIC SOCIALISM: THE CASE OF VENEZUELA

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ABSTRACT

The Venezuelan political and humanitarian crisis, which started just after the global recession of 2008, in the twilight of the tenure of country’s long-serving President Hugo Chavez, and continued thereafter under new leader Nicolas Maduro, posed a serious question about the system of economic organisation and development that Venezuela had adopted after Chavez’s election in 1998. With soaring inflation that had rendered people unable to afford even the most basic amenities required to sustain life, the once vaunted model of democratic socialism which, through policies such as the nationalisation of key industries including the highly profitable oil industry, the constitution of councils for local governance, called Communal Councils, and expansive public expenditure on social welfare programmes that sought to provide greater access to, inter alia, food, housing, healthcare and education, had lowered rates of poverty and metrics for inequality in income and had brought unprecedented economic growth to the country, came under scrutiny. This scrutiny intensified in academic and political circles especially after the oil glut of late 2014 and early 2015, which caused a socio-economic catastrophe for the nation. Considering the same, this project seeks to enquire into the broader contours of the philosophy of democratic socialism, and the economic and social policies that are generally associated with the ideology. Besides, to further the understanding of the ideology, several case studies will be used, most prominently that of Venezuela under Chavez, with the ultimate aim of undertaking a critical analysis of this model of governance by drawing from the successes and failures of precedent administrations.

Keywords: Socialism, Democracy, Policy, Venezuela

Introduction

Socialist economic and socio-political thought, defined Donald F. Busky as “movements for social ownership and control of the economy”\(^1\), by Arnold N. Scott as “social ownership, social control, or socialization of the means of production”\(^2\) and by Badie, Berg-Schlosser and Morlino

\(^1\)Donald F Busky, Democratic Socialism (2000).
“regimes based on the economic and political theory of socialism, which advocates public ownership and cooperative management of the means of production and allocation of resources,” has for long been a subject of political academia. Since the publication of The Communist Manifesto by Karl Marx and Friedrich Engels in 1848, based on the ideals set out in the French Revolution, and the ideas of earlier thinkers like Henri de Saint-Simon and Charles Fourier, the philosophy of socialism has inspired several movements and events of both an intellectual and a political nature, beginning with the Revolution of 1848, which was followed by the Bolshevik Revolution in 1917 and, thereafter, succeeded by the New Deal in the United States in the 1930s, the advent of social democracy and the welfare state, most prominently in the ‘First World’ after the Bretton Woods Conference at the end of the Second World War, the Cultural Revolution in China in the 1940s, the Naxal movement and the ‘Total Revolution’ in India in the 1970s and, more recently, the resurgence, since the 1990s, of socialist models of economic planning in democratic countries of South America like Venezuela, Bolivia, Argentina and Brazil. A common factor in the mentioned movements was the central role accorded to the philosophy of socialism and the various interpretations thereof by leaders and scholars including Vladimir Lenin, Leon Trotsky, Mao Zedong, Joseph Stalin, John Maynard Keynes, Harry Dexter White, William Beveridge, Clement Attlee, Franklin Delano Roosevelt, Jayaprakash Narayan, Charu Mazumdar, Juan Peron, Nestor Kirchner, Luiz Inacio Lula da Silva, Hugo Chavez and Evo Morales. Whilst the variation in the aforementioned interpretations meant that socialist thought branched out into a number of sub-categories, with each being calibrated to suit the conditions of the society that they evolved in, some basic tenets of the idea remained constant. It is these principles of the socialist philosophy that the project seeks to study in brief, along with a branch thereof, conceptualised as democratic socialism. Primarily, though, the paper, besides reflecting on the principles of democratic socialism, studies the implementation of the political thought in policy in Venezuela after Hugo Chavez’s ascent to power and undertakes a critical analysis thereof. Lastly, following the description and analysis of the Venezuelan model of democratic socialism, necessary conclusions will be drawn about the broader philosophy from the case study and methods of implementation will be critiqued, with suggestions and recommendations being made in fairly broad terms so as to ensure the optimal results for states that seek to install a democratic socialist model of development.

A Brief History of Socialism as the Basis of State Policy

The fundamental idea of socialism requires that a society aim for collective ownership of means of production, land and capital. This type of society, especially in terms of a collective function, was first visualised by Plato in Book VIII of his dialogue ‘the Republic’

Thereafter, in Sir Thomas More’s 1516 work ‘Utopia’, the author forwarded socialist ideals in the setting of a fictional island, wherein the concept of money had been abolished and “people lived and worked communally.”

Besides, as ‘history.com’ notes, “in the late 18th century, the invention of the steam engine powered the Industrial Revolution, which brought sweeping economic and social change first to Great Britain, then to the rest of the world. Factory owners became wealthy, while many workers lived in increasing poverty, labouring for long hours under difficult and sometimes dangerous conditions.” It was in this social context that “socialism emerged as a response to the expanding capitalist system. It presented an alternative, aimed at improving the lot of the working class and creating a more egalitarian society. In its emphasis on public ownership of the means of production, socialism contrasted sharply with capitalism, which is based around a free market system and private ownership.”

Also, it was around the aforementioned period, between 1789 and 1799 to be precise, that the French Revolution took place, which according to Marx and Engels, "abolished feudal property in favour of bourgeois property" and set the foundation for ideas of early socialist thinkers, like Henri de Saint-Simon, who professed a highly centralised system wherein production and distribution was controlled by the state, and Fourier, who promoted the operation of society by collective communities in a manner not too dissimilar to workers’ cooperation.

Thereafter, in the nineteenth century, the theory of Marxism was propounded by Karl Marx and Friedrich Engels. The theory, when addressed in brief, has three central tenets, those being

1) Economic determinism: the view that economic relations determine socio-political reality else and that the forces of economics will ultimately lead to a socialist revolution of the proletariat class over their oppressors, i.e., the property-owning bourgeoisie.
2) Dialectical materialism: the theory that understanding material conditions and economic classes is paramount as they define relations and experiences, and that these conditions and classes are bound to be in conflict with each other.

3) Historical materialism: which is the theory that all of history is the story of conflict between economic classes with at least one such conflict existing in every ‘historical epoch’.

After the death of Marx, revolutionary leaders like Vladimir Lenin in Russia and Mao Zedong in China appropriated his philosophy and put forward the ideology of Marxism-Leninism\textsuperscript{10}. The philosophy of Marxism-Leninism, despite retaining the class conflict aspect of Marxism, i.e., conflict between the proletariat, who are the working class making up the majority of the population within society, and must work to survive; and the bourgeoisie, the minority property owning class, who, being owners of the means of production, employed and often exploited the working class to derive profit, promoted a highly centralised form of governance. Especially after Stalin came to power in Russia and thereafter in USSR and Mao Zedong in China, authoritarian regimes were established with the state owning all means of production and resources and regulating economic relations.

Besides Marxism-Leninism and centralised government, the philosophies of social democracy and democratic socialism also emerged in the twentieth century. Whilst the former, propagated most prominently by John Maynard Keynes, aims at ensuring capital and material gains in the free market before upholding the idea of social justice by following policies such as redistributive taxation and reforming healthcare and education with the aim of ultimately rendering them universal, the latter is more absolute in its approach to socialism and accords less of a role to the free market and state intervention in redistribution of wealth, choosing instead to promote decentralised planning of the economy. The latter has been further pursued in the subsequent sections.

**The Concept of Democratic Socialism**

Although there is no concrete definition of democratic socialism per se, thinkers and political scholars have reached a consensus on the broad contours of the philosophy. Publications by Sinclair\textsuperscript{11}, Busky\textsuperscript{12} and Abjorensen\textsuperscript{13} have all noted that the basic elements of democratic

\textsuperscript{12} Supra Note 1.
\textsuperscript{13} Norman Abjorensen, Historical Dictionary of Democracy (2019).
Socialism include a democratic political structure and a socialist model of economic development. But, while these elements remain largely constant across various interpretations, there are several models of development that, despite coming under the umbrella of democratic socialism, differ from the other rather starkly. For example, Michael Newman\(^{14}\) wrote that during the 1970s, under the leadership of democratic socialist prime minister Olof Palme, Sweden came up with a model called the Meidner Plan which necessitated the transferring of excess profits of private owners into decentralised funds that were controlled by workers with the intention of generating employment and paying more workers higher wages rather than letting wealth accumulate in the hands of the capitalist class.

This model of development was in contrast to what was adopted by the newly independent nation of India at the time. Under the Jawaharlal Nehru government, a mixed economic model was adopted, with sectors such as the heavy industries and the railways being nationalised, while others were left in private hands. Besides, with the imposition of heavy tariffs on imports, a protectionist policy was adopted towards the nationalised industries. Thus, there was a degree of centralisation in the planning therein, with the government making policies that would directly affect the aforementioned nationalised industries.

It is to be noted however, that World Bank data provides that both countries experienced healthy growth in their annual GDP in the aforementioned periods, thus showing that competent governance can create a functional democratic socialist system\(^{15}\)[\(^{16}\)].

Hence, it is clear and rather obvious that socialist policies can be implemented differently in democratic states. Perhaps, it is therefore that Anderson and Herr concluded that there is no particular economic policy that emanates from the ideology of democratic socialism, with there being, instead, a range of models of development, with all of them being variants of a market socialist economy or a decentralised planned socialist economy\(^{17}\).

Thus, to understand the essence of democratic socialism in its broadest sense, Lyman Tower Sargent’s list of characteristics of the manifestation of the philosophy must be referred to. Sargent wrote, in his work ‘Contemporary Political Ideologies: A Comparative Analysis’\(^{18}\), that the following constitute democratic socialism:

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• Ownership of property by the public through a democratically elected government, particularly industries that are of great importance to the economy, as well as the system of transport.

• A limit on the ownership of private property

• Governmental regulation of the economy

• Publicly financed social security measures and pension programs

• “Social costs and the provision of services added to purely financial considerations as the measure of efficiency”

The Origin of Democratic Socialism

According to Sargent, the ideas of 19th century utopian socialists and the Chartism movement was the ideological precursor to the development of the philosophy of democratic socialism. The two supported and promoted a democratic form of government and public ownership of property and means of production, principles which form the very foundation of democratic socialism. Thereafter, in the late 19th century and early 20th century, the ideology was influenced by social democracy, defined by Eatwell and Wright as a philosophy that supports socialism with political and economic democracy. The gradualist form of socialism promoted by the British Fabian Society and Eduard Bernstein's evolutionary socialism in Germany influenced the development of democratic socialism.

The Objectives of Democratic Socialism

According to Eatwell and Wright, whilst socialism is a long-term goal, democratic socialists focus on curbing the excesses of capitalism and seek to reform the system. However, the more radical democratic socialists believe that there are systemic issues with capitalism and that state intervention and reforms aimed at addressing socio-economic inequalities would aggravate the conditions. Therefore, they propound that capitalism and private property as a system should be done away with and replaced with collective ownership of the means of production. Besides, they strongly espouse the case for economic democracy, decentralisation of planning and strengthening of workers’ cooperatives.

21Supra Note 18.
22Manfred B Steger, The Quest for Evolutionary Socialism.
Democratic Socialism as a Distinct Form of Socialism:

The philosophy of democratic socialism, as has been established, is based centrally on the tenets of a democratic political system and a decentralised socialist mode of production, with variations being dependent on the socio-political and economic settings wherein the idea is being implemented. This, thus, renders democratic socialism contradictory to the Stalinism and the Soviet form of government from the twentieth century, both of which preached authoritarianism and centralisation in social and economic planning. Besides, democratic socialists reject any association with Marxist-Leninists whom, they believe, to be undemocratic and espouse authoritarianism and undemocratic in practice.

Besides, democratic socialists also distinguish themselves from Third Way social democracy. They argue that while democratic socialism is committed to transformation of a capitalist economy to a socialist model, social-democratic supporters of the Third Way were more concerned about challenging for political power with their social democratic ideology, and that they, in essence, gave a fillip to capitalism by endorsing the free market before undertaking redistributive taxation and installing welfare programs.

Case Study: The Venezuelan Experience of Democratic Socialism

Venezuela is one of the more recent examples of a state which had successfully implemented democratic socialism. However, early progress on the economic front has considerably been set back by the latest political developments as the country has entered a period of an unprecedented economic and humanitarian crisis. Before undertaking a study of the Venezuelan model of democratic socialism and reviewing the consequences of the implementation of the philosophy on the country though, some facts must be revised.

As Mark J. Perry, Professor of Economics at the University of Michigan, wrote in his publication23, the Venezuelan polity and economy had experienced sizeable changes after the 1980s.

- During the 1980s, Venezuela was consistently among the most prosperous South American countries measured by per capita GDP, and it ranked No. 1 or No. 2 in every year (with Argentina) from 1980 to 1988 except for 1987 (when it ranked No. 3).
- During the 1990s, Venezuela consistently ranked among the top five wealthiest countries in South America. When Hugo Chavez took office in 1999, his United Socialist Party of

Venezuela having ascended to power on the promise of a Bolivarian mission to remove structural inequalities in the economy, Venezuela ranked No. 4 among South American countries for per capita GDP and by 2008 Venezuela rose to the No. 1 spot. In that year, Venezuela ranked No. 61 globally for per capita GDP and was therefore among the top one-third of the most economically prosperous countries in the world (out of 194). This came in the backdrop of a large-scale implementation of democratic socialist economic policies, which included the creation participatory democratic ‘Communal Councils’, schemes to extend access to food, education, housing and healthcare to the masses and the nationalisation of key industries, particularly oil, as the economy benefitted enormously from the high oil revenue of the 2000s.

- However, while “the high oil profits coinciding with the start of Chavez’s presidency resulted in temporary improvements in areas such as poverty, literacy, income equality and quality of life between primarily 2003 and 2007”, a reversal began around 2012. Reflecting that temporary period of ephemeral economic prosperity, Venezuela ranked No. 2 for GDP per capita in South America in each of the three years between 2005 and 2007 behind No. 1 Chile, No. 1 in 2008 ahead of Chile, and No. 2 again in 2009 behind Chile. In each of the six years from 2007 to 2012, Venezuela ranked among the top one-third of 194 countries in the world for per capita GDP.

- By the time Chavez died in office in 2013, Venezuela’s deteriorating economic conditions brought the country’s ranking in South America down to No. 5 for GDP per capita before falling to No. 6 in 2014. Globally, Venezuela’s rank fell to No. 79 in 2013 out of 194 countries and to No. 90 in 2014.

- After a temporary rebound in Venezuela’s per capita GDP in 2015 and 2016 to the No. 4 position in South America behind Uruguay, Argentina, and Chile, Venezuela fell to the No. 11 position in 2017 (ahead of only Bolivia) before sinking to the bottom No. 12 position in 2018 and 2019. IMF estimates of per capita GDP for 2020 to 2022 rank Venezuela in last place among South American countries for five consecutive years (2018 to 2022), with an estimated figure of only $1,544 ($129 per month) by 2022. That would rank Venezuela #159 for per capita GDP out of 194 countries in 2022 (see chart above) and among the poorest one-fifth of countries in the world behind countries like Myanmar, Senegal, Cameroon, and Cambodia.

- In 2020, Venezuela’s estimate per capita GDP of only $1,739 ($145 per month) is 75% below the average in South America of $6,834. Next year, Venezuela’s projected per capita GDP of only $1,586 ($132 per month) is expected to be more than 78.5% below
South America’s average GDP per capita of $7,404 and in 2022 Venezuela’s $1,544 per capita GDP ($129 per month) will be 81% below the continent’s average of more than $8,000.

Besides, in regard to Venezuela, Perry wrote the following in his publication “Why Socialism Failed: A 2018 Update”:

“There were some initial signs of economic prosperity under Hugo Chavez’s democratic socialist regime in Venezuela in the early part of this century, but that “success” was brief and unsustainable. Chavez was able to distribute to his people some of the bounty from stolen property when his government seized the country’s oil production in 2006 and 2007 by forcibly taking over oil companies such as Exxon Mobil, France’s Total, and Italy’s Eni. Relatively high oil prices also artificially helped the socialist regimes of both Chavez and his successor Nicolas Maduro in the short run.

But the corrosive, demoralizing, and devastating effects of socialism have now been exposed, as the country has gone into an economic death spiral of poverty, chaos, starvation, and death.

The temptress of democratic socialism advanced today by Sanders and Ocasio-Cortez, is constantly luring young Americans with the enticing offer: “give up a little of your freedom and I will give you a little more economic security.” And free college tuition, free healthcare, and guaranteed housing. As the experience of Venezuela has clearly demonstrated, the bargain is tempting but never pays off in the long run. The unfortunate citizens of Venezuela have ended up losing both their freedom and their economic security.

Programs like socialized medicine, free college, guaranteed jobs, free housing, and living wage laws will continue to entice us because on the surface they appear to be expedient and beneficial. But those programs, like all socialist programs, will fail in the long run regardless of initial appearances. These programs are part of the dangerous Big Lie of socialism because they ignore the important role of incentives.”

It has to be noted that the Venezuelan decline and the concomitant economic and humanitarian crises has largely been given a fillip by a political crisis, a power struggle that begun after the 2018 Presidential Election between the United States of America and the European Union-backed incumbent Nicolas Maduro and the Russia-backed Juan Guaido. However, that should not detract from the lesson that must be learnt from the Venezuelan experience and the collapse of the economy and subsequently the social organisation due to overreliance on the export of oil.
as the primary means of generation of capital, that being that democratic socialism requires a viable economic structure to serve as a functional system and be generally actionable at a national level.

Conclusion

In conclusion, it can be drawn that democratic socialism is neither a compromise on the free market-favouring liberal democracy nor a form of social democracy. It is a distinct philosophy which focusses on a democratic political structure with a decentralised, socialist model of planning. However, it has been interpreted and implemented differently across nations, in accordance to the socio-political and economic situations that they are faced with. This was particularly evident in the differing policies that the democratic socialist governments in Sweden and India, in broad terms, followed while applying the ideology. Besides, the case of Venezuela serves as a good example of how undertaking a large-scale project based on democratic socialism without backing from an appropriate economic structure can lead to ruination of the body politic. Herein, a reference to ‘Pasokification’, which was defined by Masaharu Takenaka as “the decline of centre-left social-democratic political parties in the decade of the 2010s”\(^\text{25}\), and the European, and particularly the Greek experience, can be drawn. The term, originates from the dramatic decline in vote share of the PASOK party in Greece, which ascended to power in 1981 with a broadly democratic socialist agenda, due to inadequacy in handling the debt crisis in the country and implementation of austerity measures that were deemed by sections of the public to be excessive.

It is considering the above that the study concludes that democratic socialism or variants thereof, however liberal or protectionist in economic terms, can only be a viable economic and political strategy in the long term, as perhaps the aforementioned examples of Sweden and India showed, if the social institutions that the ideology cherishes, i.e., democracy and socialism are followed and fostered without corruption and with support from suitable structures in society, such as regular and freely contested elections and, in economic terms, sustainable means of capital generation.

References


iv) Thomas More, Peter Sloterdijk& Jacques Læger, Utopia.


vii) Donald F Busky, Democratic Socialism (2000).


