INTRODUCTION

The modern economic history of Venezuela is marked by the dominant role played by the state. A largely unstable state structure in the nineteenth century gave way – following the discovery of oil and its exploitation in the 1920s – to the state becoming the centre of the process of capitalist modernisation. This development was reinforced by the rise in oil prices in 1973–4, and by the nationalisation of the oil and iron ore industries in 1975–6. By the 1980s the state was directly responsible for nearly 70 per cent of capital accumulation in the economy and employed approximately a quarter of the working population, a situation often described in Venezuela by the term ‘state capitalism’.

In addition, the state was called upon by every party in the political spectrum to intervene actively in the management of the economy as a whole, and in the redistribution of the nation’s wealth. In particular, the parties of the Left for many years saw the key to a more egalitarian and independent society in state planning, and a greater national share in the oil industry.

In the years after the nationalisation of the oil and iron ore industries, this general belief in the ability of the state to preside benignly over continuing economic progress started to be questioned. The accumulation model began to appear exhausted, with stagflation setting in since 1979. The increased state resources generated by the nationalisations seemed insufficient to satisfy the resulting rise in expectations. The issue of the role of the state – an old concern in studies of Venezuelan development by both Venezuelan and foreign analysts1 – reappeared as a central
aspect of the debates about the possibilities for changing the course of the existing development model.2 The crisis of 1982–3 and the policy response that followed – contractionary adjustment – added urgency to those debates, while significantly altering their parameters.

In this chapter I will first briefly review the changes in the role of the state after Venezuela became an oil-producing nation. I will then outline the different phases of the accumulation model and the development of industrialisation in Venezuela. The chapter will end with an assessment of the impact of the crisis of the early 1980s on the viability of the historic accumulation model in Venezuela. The final chapter of this collection will discuss further the crisis itself, the adjustment policies that it prompted and their aftermath.

From coffee exporter to oil-producing nation

In the nineteenth century a combination of lengthy civil wars, dictatorial rule, and economic poverty, dominated Venezuelan domestic politics. It was one of the poorest countries in South America, having been forced to specialise in the export of cocoa and coffee. At that time the nation was beset by regionalism, fragmentation of power and scarcity of government funds. From 1920 onwards, however, the oil industry increased in importance, leading to a strengthening in the role of the state and the beginnings of a process of capitalist modernisation in which the state was to play an increasingly dominant role. A result of this was the absence of a strong capitalist class and more generally a certain indefiniteness of the class structure. Consequently the pressure groups and parties which were set up in the 1930s and 1940s were not well organised and lacked autonomy. Civil society failed to develop dynamism and strength in the face of state dominance.3 By the same token, connections between the state and political parties, unions and economic power groups were always close.

It was in the building sector that the state first took an active role, aimed at developing the infrastructure of the economy. Meanwhile, the number of people employed by the state grew rapidly from the 1920s onwards. Whereas the growth rate of the total employed population between 1920 and 1936 was 3.5 per cent per annum, the rate for the state sector was 9.3 per cent, so that the number of state employees increased fourfold. In 1951 there were more people employed by the state per head of population in Venezuela than in the USA.4

In the nineteenth century the state was chronically in deficit. The