

mobilize popular support for and institutionalize the resistance to the IMF's policies first voiced by Labra last week. On April 11 the head of the School of Economists, Becerril Straffon strongly backed up Labra's attacks on the IMF and stressed that the "government must mobilize the popular masses around a historical project of development." Becerril's call is being put into motion by pro-development elements within the Congress. Congressman Heladio Ramirez on the same day announced that the congress will begin tours throughout the country to listen directly to the demands of the population and to

evaluate federal projects — the first time since López Portillo took office that the progressive congressmen will adopt a high public profile.

At the same time other congressmen are arranging a separate ordinary session of congress solely for oversight of public spending. As an unprecedented step the measure will institutionalize the popular input into what has traditionally functioned as a rubber stamp congress — at the same time that it places the issue of IMF demands for slashing public spending in a forum for open debate.

IMF, Industrialists, Vie For Venezuela's Petrodollars

VENEZUELA

The Wall Street financial weekly, *Money Manager*, described Venezuela in its April 11 issue as an "unfolding economic horror story ... spending itself into debt faster than its oil earnings soar." The article gives no facts or figures to substantiate its assertion of a coming economic crisis in Venezuela, but predicts a massive capital flight in the near future.

Money Manager's picture of Venezuelan inflation and growing insolvency due to the government's spending, the most dire of a series of similar articles that have appeared recently in the international financial press, is, in fact, false. Venezuela has one of the lowest inflation rates in the world, around 8 percent in 1976, and still has more than \$8.5 billion in petrodollar reserves.

But *Money Manager's* warnings match a fierce internal debate over economic policy within Venezuela. The premise of the development policy of President Carlos Andres Perez is to use the enormous increase in oil income — now primarily resting in New York banks — to industrialize Venezuela. A five-year, \$20 billion investment program has been designed to carry out that policy. Perez, backed by a growing faction of Venezuelan industrialists, has stressed that the way to reduce inflation is to expand both production and the productive base of the Venezuelan economy. The strategy of the opposing monetarist faction, headed by Finance Minister Hector Hurtado, is to halt inflation by bringing production to a halt.

At the heart of the debate lie the petrodollar reserves. Spokesmen for the Perez faction have called for Venezuela to pull its money out of New York for domestic production. Venezuela last week promised Italian Foreign Trade Minister Ossola an increase of deposits in Italian banks, already tripled since last November. Although the promised increase is modest, the significance of the pull-out is political.

On the other hand, Hurtado told the press last week that Venezuela is "favorable" to funding the proposed \$15 billion bailout fund for the International Monetary Fund (IMF).

Hurtado last week proposed a counter domestic

economic package, and demanded that the Finance Ministry be given tight control of the country's purse-strings. Current expenditures in the 1978 budget must be 10 percent under those of 1977, (in actuality representing a minimum cut of 20 percent after inflation), "priorities" for expenditures must be established and government projects "reevaluated" and revised accordingly, Hurtado has said. Any programs for which there is not a "critical mass of human and financial resources" must be eliminated, and available resources "concentrated" in only those projects already begun.

Pro-growth industrialists supporting Perez will not be pleased with Hurtado's austerity budget. Jose Ignacio Casal, ex-Development Minister and a spokesman for industrialists, told the Caracas daily *El Nacional* that the difference between this administration and previous ones is "like the difference between heaven and earth" for industrialization. He pointed out that in the past two years the rate of industrial growth has doubled, and a "take-off phase" of industrialization has been reached to move beyond mere import substitution and assembly manufacture to medium and heavy industry. Demanding from the government only more credits for industry, Casal stressed that there was a real "climate of confidence" for investment in the country.

An economist for the powerful Mendoza national capital group, Carlos Acedo Mendoza, explicitly demanded pulling the petrodollars out of New York. In an op-ed in one of the major dailies in early March, Acedo Mendoza wrote that holding reserves abroad is "bad business." If the enormous reserves are a dangerous source of inflation, then the reserves should be reduced, through the "increase in importation of capital goods, technology and inputs which permit the expansion of local projects."

"Never Has A Government Done So Much In Such A Short Time For So Many People"

Gumersindo Rodriguez, ex-Planning Minister and present Congressman, defended the government's economic policy against its critics in a rousing speech before Congress last month. Rodriguez was speaking for the ruling Accion Democratica party in a debate called

by the opposition Copei party to compare the results of the Perez administration and prior governments. The following is merely a short excerpt from the speech:

...The course of the economic history of the country has been modified with the assumption of control of the fundamental industries of oil and iron between 1975 and 1976.... From 33 percent, which represented state participation in investment, we have gone to nearly 50 percent.... This formidable internal distribution of economic power now places the state in a position much more advantageous to impress upon private capital a conduct in the use of social wealth more consonant with the interests of the great majorities. With each day, private capital handles more public wealth through the delegation of democratic state capitalism. The philosophy of the new state capitalism is to impose greater social duties on private business in return for the profits which it derives from the handling of this public wealth.

...Scientific and technological wealth is beginning to be placed massively in the hands of the people. Thanks to the scholarship program, "Gran Mariscal de Ayacucho," more than 11,000 sons of working people and the lower middle classes study in the best universities in the country and abroad. This is the reserve of future technical, scientific, administrative and political leaders which represent for the people a true participation in the exercise of power in the future....

It is in the context of the structural transformation of the country that we must analyze the work carried out by the government in these three short years.... We have already put forth a path for the country from which no one can make us retreat. The most significant aspect of these achievements is their historical irreversibility....

People have tried to minimize the significance and historical achievement of the nationalization of the oil industry ... (yet) history will inscribe this as the most transcendent event since political independence in the history of our economic and intellectual sovereignty.

...It has been said in this debate that despite the nationalization of oil and iron, we are now more dependent as an importing nation. The increase in imports has also been presented by the opposition as an indicator of the failure of this administration. To the contrary, this has been the result of an explosive expansion of consumption and investment which has surpassed the elevated growth of the real magnitudes of our production, within the traditional assembly structure of our industrial production and even our agricultural production.... The imports are part of the process of capitalization; they are the earnings, or barrels of oil, which have been transformed into productive wealth that creates employment and permanent production....

It is true that in the past the serious error was being made of not adequately planning the social infrastructure to attend the human problems which were generated around the new great development projects for basic development.... We quote the words of the President in his III Message to this Sovereign Congress: "Before the National Five-Year Plan, the great deficiency which our planning suffered was the improvisation in the area of social and physical infrastructure. This situation constitutes the essential reason for the housing and services crisis which we presently suffer, and if we were not adopting the emergency measures now in progress, this would constitute the most limiting factor in the progress of such important projects."

...We are not in agreement with the position of Petkoff (member of the opposition — ed.) of rejecting the application of sophisticated technologies, which are highly capital-intensive and have little capacity to absorb labor.... We cannot be the 'modern Luddite' destroyers of sophisticated machinery.... These enterprises and these projects are not for direct employment, but to increase and concentrate in the hands of the state what the Marxist economists call economic surplus. The lower the costs of these undertakings, the higher their benefits and the higher will be the economic surplus....