How to build a nation

A capital-intensive model for Latin America and the world

Within the next few years, a country in the Western Hemisphere will develop one of the world's largest and most advanced steel industries. Within the next decade that country's other industrial capacities will so rapidly advance that it will become as large a consumer of steel as the industrialized nations of Europe. In the next three to four years, this emerging industrial giant will have completed the world's largest aluminum reduction plant and will have become one of the largest producers of aluminum in Latin America.

Already, this nation had more than doubled aluminum production during the past two years, and by the middle of the next decade output will be 10 times what it was in 1976. Steel production is also scheduled to double by 1982 and increase tenfold by 1990, 15 times by 1995. Electric power generation will soar by over 500 percent during the next 11 years.

The country is Venezuela. The question is why this unique example of economic success is so little known. And the answer is that Venezuela's unique rates of growth, the highest in this hemisphere, disprove the myth that capital-intensive growth must occur at the expense of jobs. That fairytale, promoted by the purveyors of labor-intensive economics, cannot explain the explosive industrial development which has generated approximately 1 million jobs in Venezuela since 1974 and will create some 4 million more by the 1990s.

Under this program millions of peasants will be transformed into higher-wage urban workers, as agriculture becomes highly modernized. Nevertheless, more than a million foreign skilled workers will have to be invited into the country. Within the next two decades, the Venezuelan labor force will more than double.

Nor is this being achieved by austerity methods. While the purchasing power of the labor force throughout the developing world and much of the industrialized sector is being eroded, the real wages of Venezuelan workers are increasing by more than 15 percent per year. Protein intake in the average per capita diet has increased by about 25 percent since 1973. Infant mortality has fallen by almost 20 percent.

THE V PLAN

These are the tangible results of the V Plan, or Quinto (Fifth) Plan, the national development program of the government of President Carlos Andres Perez. Although ostensibly a five-year investment plan, this $53 billion combined public and private sector program has set the foundation for the development of strategic heavy industry well beyond its projected 1976-1980 budget. Its true significance, however, lies beyond its achievements within Venezuela. The V Plan represents a victory in the tradition of the great humanist "city builders" applied to the process of building an advanced industrial republic, and as such, is a model for all of Latin America and the Third World.

Specifically, the success of the V Plan shows other Third World decision-makers that the *"desarrollismo"* of Raul Prebisch is *not* the only alternative to Friedmanite austerity. Colombian officials, for example, who have been trying to protect their country from such austerity, have often opted for the Prebisch policy of "light import-substituting industries" as a means of saving foreign exchange and allegedly sparking some sort of industrial takeoff domestically.

Next door in Venezuela, however, is a model that not only puts "fiscal conservatives" into early retirement, but directly and explicitly disproves that policy as an alternative. In fact, the founders of the V Plan saw their work as a direct battle against the *desarrollistas.*

The strategy of the Perez Administration is founded on the concept of state-guided investment of revenues from raw materials exports, in this case petroleum, into strategic reproductive industries for the further transformation of other raw materials. Income from oil is not only reinvested back into the oil sector so that the nation can export refined products instead of crude, but a huge surplus is being invested into the process of converting iron ore into steel and bauxite into aluminum. These basic industrial inputs will be further transformed into capital goods for long-term, self-sustained industrial growth, mediated through the constant uplifting of the scientific, cultural, and moral condition of the nation's labor power. Through this process of developing what Perez calls *"industria-industrializante"* ("industry which industrializes"), Venezuela is being transformed from a raw-materials-exporting nation into an advanced industrial society.

Adopting this perspective is not merely a "technical" question—it is emphatically a political one. The realization of the V Plan is the culmination of a bitter political struggle that has spanned four decades. In a recent address, Dr. Gumersindo Rodriguez, the first Minister of Planning of the Perez government and acknowledged principal architect of the V Plan, outlined the parameters of this struggle in unequivocal terms:

> "Two currents (of thought) clash in the public debate over the short- and medium-term perspectives of the Venezuelan economy. (One is) an optimistic current . . . which has been the determining intellectual influence in the aggressive development policy of this Administration (and which) has been given form programmatically in the V Plan of the Nation. (The other is) a current that is woefully pessimistic . . . (and which) seeks actively to convince the next government of the necessity of reorienting the development of our economy in a downwards direction."

The choice, Rodriguez continued, is progress versus the "objectively reactionary" policies of cutbacks and austerity; development versus the "sick monetary delusion" of the opponents of growth. Or, as President Perez recently described it, in terms identical to those of Mexican President Jose Lopez Portillo, there are those who have the audacity to "think big," and those who do not.

At the core of this perspective is dirigism. The entire industrialization process has been directed by a firm central government that has laid the ground rules in terms of leading the nation's energies as much as possible towards productive activity and away from speculative enterprises. Within this climate, the private sector is encouraged to assume responsibility for implementing individual aspects of the overall V Plan.

However, this government leaves office in March, when President Perez is replaced by Luis Herrera Campins. As Gumersindo Rodriguez warned, serious efforts have been underway, led by former *"desarrollista"* oil minister Juan Pablo Perez Alfonzo, to convince the incoming Herrera government to turn the economy "downward." Unfortunately, it looks like Herrera Campins has been listening. In his first statements as President-elect, he has indicated strongly that he plans to curb "excessive" state sector participation in the economy—an open declaration that the V Plan's enemies intend to take the fight down to the wire under the next Administration. As of this point, all politics in Venezuela will be based on whether or not the nation will continue along the nation-building path of the V Plan. It's the optimists versus the pessimists.

HOW THE V PLAN WORKS

In October 1978 President Perez inaugurated the latest expansion plan of the state-owned Siderurgica del Orinoco (Sidor). Under this program, Sidor's output of steel will leap from the present 1.2 million tons per year to almost 5 million tons by 1983.

Sidor exemplifies precisely how the V Plan functions. The expanded plant, representing an investment of $3.5 billion, will save Venezuela some $1 billion annually in steel imports by the middle of the next decade. The initial cost, carried mostly by the government with minority participation by Japanese private firms, will be totally recovered in less than four years.

More importantly, by the time Sidor and other planned steel mills are fully operative over the next 11 years, Venezuela will become a net steel exporter. In effect, by transforming the iron ore the nation now exports into steel products, Venezuela will earn 33 times more for its steel than it would earn for an equivalent amount of raw iron ore. Further, as Sidor president Edgar Marshall pointed out, if the steel is then transformed into exportable capital goods in the form of machinery, the original iron ore increases in value by 166 times. The difference, in both phases, is the application of skilled labor power.

Domestically, Sidor's expansion will increase the industry's productivity by over 100 percent, from the 20 manhours that are currently needed to produce a ton of steel to 9 manhours per ton. To the pessimists who object to capital-intensive development because it doesn't achieve "full employment," Edgar Marshall pointed out that besides the thousands of additional workers Sidor will require directly, every new job created in the steel sector means that 10 more are created in down-stream consumer industries. If the steel is then elaborated into capital goods, every new Sidor employee represents 20 new jobs created in related industries.

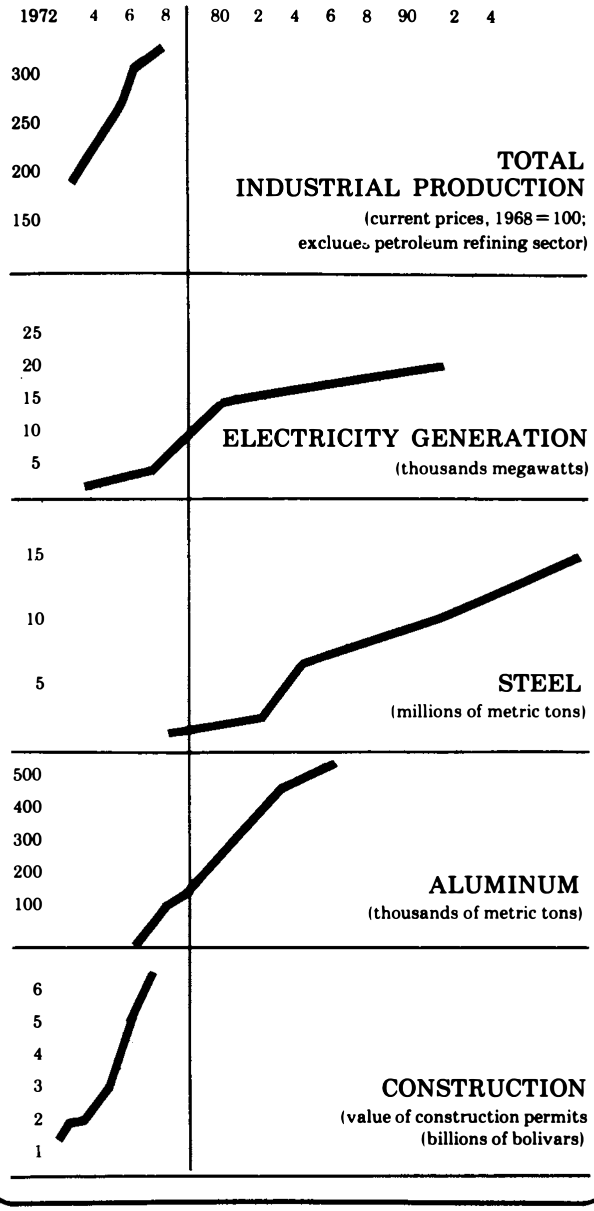
It is no wonder that one of the nation's biggest problems under the capital-intensive V Plan has been a *shortage* of both skilled and unskilled labor, contrary to what the paragons of "labor-intensive" economics at the World Bank would have one expect. And the problem is by no means insurmountable. Under the government's Ayacucho education program, one of the world's largest foreign scholarship plans, thousands of promising students from lower-income working class and rural families are learning advanced technical skills in several industrial nations. As President Perez said during his address at Sidor, to solve problems, "first we must create them."

Nowhere is the revolutionizing impact of capital and technology more evident than in the remarkable growth of agriculture, which increased its output by 11 percent in 1977. Even though record harvests were recorded, much of the government's development in this sector is only beginning to be felt, given the longer period usually required for capital investment in agriculture to show returns. Total investment in the countryside under Perez is more than double the amount allocated under the previous government. Fertilizer use registered a two-fold increase between 1972 and 1977, and doubled again in 1978.

As in heavy industry, the strategic focus in agriculture is on the upgrading of labor power through the application of advanced technology, freeing labor for urban employment. Gumersindo Rodriguez states this explicitly:

> "We must seek a solution (to the problems of agricultural development) . . . that reduces the labor requirements for a given level of production, and which applies processes of heavy mechanization and fertilization . . . This process of the industrialization of agriculture would help alleviate the problems now encountered in the construction,

1. Industrial Production



industrial, commercial, and service sectors as a result of the scarcity of both skilled and unskilled labor. The labor freed from agriculture and absorbed into urban production would supply the economy with a per capita rate of productivity considerably higher than that which currently prevails in (our) unproductive and backward agriculture."

Rodriguez's clear understanding of labor as the key to the development process puts to rest yet another myth peddled by the V Plan's opponents; namely, that there is supposedly some sort of "trade-off" between agricultural and industrial development.

EXPORTS AND DEBT

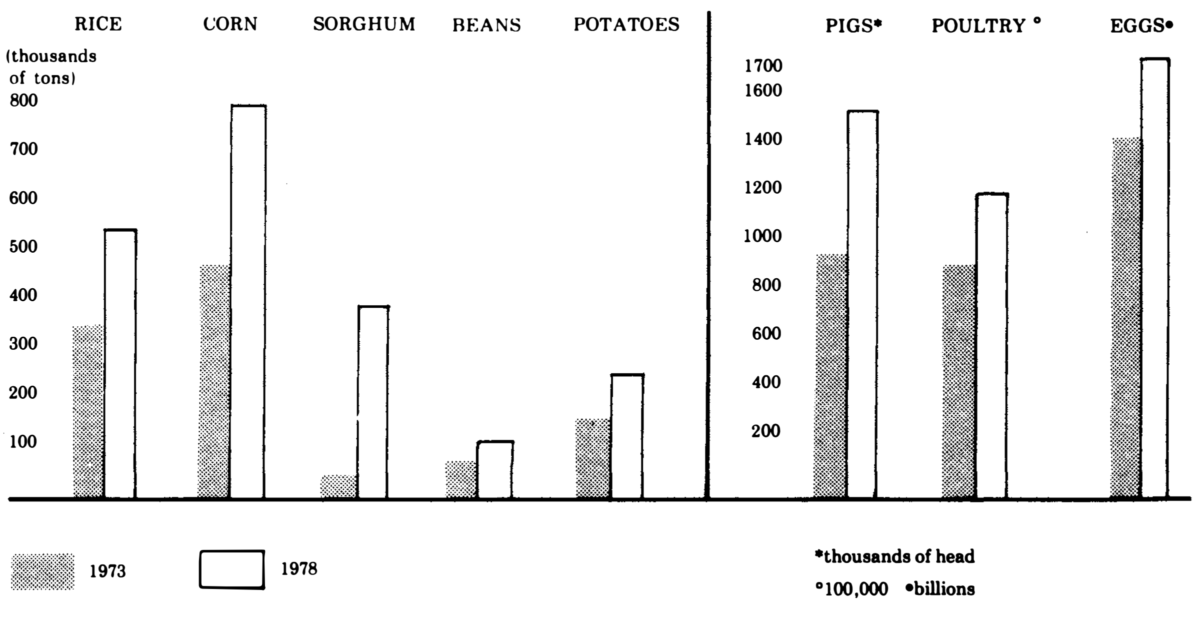
The motive force for this process of agricultural and industrial development is credit generated by the country's chief export, oil, which accounts for over 90 percent of Venezuela's foreign exchange earnings. The doubling of Venezuelan export earnings in 1974, as a result of the OPEC price increase, has enabled imports to grow at the spectacular rate of roughly 30 percent a year under the V Plan. A growing share of these imports are capital goods and industrial inputs, comprising about 70 percent of total imports at present.

However, the problem is not so simple as merely buying steel-making equipment with petrodollars. Exports have leveled off over the past two years, despite the continued climb of imports. This is the case for several reasons. First, because the multinationals that used to own Venezuela's oil wells were content to pump crude from the most accessible oil fields, investment in new exploration came to a halt in the 1950s. As a result, immediate potential production has dropped from almost 4 million barrels per day to barely 2.5 million in less than ten years. Petroleos de Venezuela (Petroven), the state oil conglomerate formed when the industry was nationalized in 1976, is taking steps to remedy the situation by embarking on an ambitious $20 billion investment program, mostly devoted to exploration, over the next 10 years. Second, because of external pressure on Venezuela to abstain from a vigorous nuclear power program, the government has been induced to "conserve" its oil by keeping production at approximately 2.2 million barrels per day.

In the case of iron ore, the country's second most important export item, the deteriorating world market has prompted an annual decline in production of 25-30 percent.

As a result of this relative stagnation of exports, Venezuela registered a balance of payments deficit in 1977 and will probably have a net trade deficit over the next two years. Is this cause for alarm? Not in the least. The authors of the V Plan are fully aware that as the country makes the transition to "nontraditional" industrial production, a certain critical mass or density of capital investment must be made in the short term. This quick surge in expenditures will *necessarily* outstrip the rate of growth of the so-called traditional exports, producing a deficit until the planned medium- and long-term projects, such as the Sidor expansion, are brought on line.

2. Agricultural Production



Therefore, the V Plan includes in its associated legislation provisions for massive foreign borrowing.

Venezuela's foreign debt has shot up from less than $1 billion when Perez took office in 1974 to over $5 billion expected by the end of 1978. Yet this is not cause for alarm either. This borrowing will level within the next two years, and increase at a declining rate over the long-term. But most importantly, as the V Plan authors have constantly reiterated, the activities funded by this debt will generate real social wealth at a rate faster than the accumulation of the debt itself and its related service payments. Gumersindo Rodriguez states,

> "The important thing in sustaining a process of real development is . . . the physical wealth created and accumulated by society. The circulation of money without this material backing produces neither growth nor development, but inflation. The problem of development is neither fiscal nor monetary: it is real."

Projections for the V Plan indicate that the economy will easily sustain the present debt. Similarly, analysts at the U.S. Department of Commerce predict that Venezuela will regain its trade surplus within two to three years.

STATE DIRIGISM

The V Plan borrowing and credit allocation strategy is based on the principles employed by Alexander Hamilton in the United States of the 1790s, by Henry Carey and Abraham Lincoln during the mid-19th century, and soon after by the Meiji Restoration in Japan. Very similar perspectives were embodied in the political policies of the great ministers Campomanes and Floridablanca under Carlos III in Spain.

This strategy entails, first, establishing mechanisms for directing available credit towards productive ("real") economic activity, and away from speculative ("monetary") practices. Second, debt contracted during the short-term is converted into long-term guaranteed loans or government bonds which are absorbed by domestic and foreign financial institutions. The core conception is to force the real economy to expand at a more rapidly accelerating rate than that of the corresponding debt instruments.

From the outset of his Administration, Perez resorted to what has been in effect a two-tiered credit system. Through a series of government guarantees, tax incentives, subsidies, and other such inducements, investment in productive outlets has been made increasingly attractive for the private sector at the expense of speculative ventures. At times, stiffer measures were required, such as the case in which the government demanded that private banks invest at least 20 percent of their portfolios in agricultural development.

Yet although the Perez Administration has been uncompromising in its adherence to state dirigism of the economy as a whole, the fact is that many of the strongest backers of these policies are private sector leaders. It was largely through the initiative of individuals such as Dr. Carlos Vogeler Rincones, president of Fedecamaras (the country's largest businessmen's federation), and Roberto Salas Capriles, president of the Camara Venezolana de la Industria, that the government's two-tier credit policy was further elaborated during 1977. By the middle of that year, it was becoming evident that disturbing portions of the expanded liquidity generated by national oil income were being channeled into real estate speculation in and around Caracas. With the cooperation of factions within the private sector Perez and his Minister of State for the Presidency, Carmelo Lauria — himself a former president of the National Banking Association as well as a former director of the nation's largest private commercial bank — enacted a package of liquidity-tightening measures that penalized the real estate speculators and forced investment into real capital formation. Soon thereafter, Salas Capriles personally submitted an explicit across-the-

3. Living standards

EMPLOYMENT

+740,000 jobs, 1974-77
+185,000 jobs per year, 102.7% of V Plan goal
4-5% Unemployment rate, 1978 government estimate

WAGES, 1974-77

+23.7% per year average increase
— 8.6% average cost of living increase
+15.1% real wage increase

INFLATION

1975	7.6%
1976	9.0%
1977	8.1%
1978	6.1%

Latin American average, 1978 .... 44.0%
OECD average, 1978 .... 6.5%

EDUCATION

Number of schools: +1,100
1973: 11,900
1977: 13,000

Budget (billions of bolivars)
1973: 2.8
1977: 7.8

HEALTH

Infant mortality: — 19.3%
(deaths per thousand less than age 5)
1973: 53.0
1977: 42.8

Life expectancy: +2.6%
1973: 64.7 years
1977: 66.4 years

board two-tiered credit proposal to Lauria, whereby the government would underwrite long-term loans made by private banks to industry at interest rates lower than those prevailing for nonreproductive sectors. This proposal was adopted.

It was also Salas Capriles and Vogeler Rincones who led private sector appeals to the government to speed up plans for the creation of a vastly expanded capital goods industry.

With this state-private sector collaboration orienting the direction of credit, on the one hand, the V Plan engineers have taken steps to capitalize the foreign debt, on the other. The government is currently in the process of converting up to 60 percent of the total debt into long-term obligations, a process exemplified by the recent announcement of a large bond issue on the Tokyo capital market at 6.5 percent interest — less than half the prevailing rates on the London-controlled Eurodollar market.

THE ENEMIES OF THE V PLAN

Despite the obvious success of the Perez development strategy, his administration has come under vicious attack since he first enunciated the outlines of the V Plan in early 1975. These attacks are typified by a recent article appearing in the *Journal of Commerce* of New York, which said that regardless of who should win the Dec. 3 presidential elections in Venezuela (won in fact by Luis Herrera Campins of the opposition Social Christian Party, Copei), the next president will have to impose draconian cutbacks in government development programs in order to avoid a "recession."

This same ultimatum, with minor variations, has been issued from the *Financial Times* of London, *The New York Times,* London's *Economist,* the New York Council on Foreign Relations, plus various left and right networks associated with these institutions within Venezuela.

This clamor for dismantling the V Plan does not stem from concern for Venezuela's national interest, nor is it an honest difference of "position" regarding the Perez government. It is a campaign of lies coordinated by a single international political force intent upon blocking Venezuela's industrialization. The same circles centered in London who under the Order of St. John of Jerusalem sponsored Adam Smith's 1776 tract on why underdeveloped countries must remain raw materials suppliers, are carrying out this same policy under its latter-day agencies, the Mont Pelerin Society, the Club of Rome, the Aspen Institute, the World Bank, and the International Monetary Fund. U.S. National Security advisor Zbigniew Brzezinski, an Anglophile agent of these circles, put this strategic perspective in modern terms in a recent remark about Mexico's own effort to industrialize: the U.S. will not allow "another Japan" south of its borders. This most emphatically includes Venezuela.

Gumersindo Rodriguez identified this enemy within Venezuela in his Oct. 22 speech before the Camara de Comercia e Industria on the isle of Margarita. The chief spokesman of the "reactionary" internal forces of "pessimism," Rodriguez stated, is Juan Pablo Perez Alfonzo.

4. Food consumption per capita

	1973	1978
CEREALS, kg.: +30%	140	189
MILK, liters: +30%	108	134
BEEF, kg.: +20%	20	24
POULTRY, units: +30%	10	13
EGGS, units: +12%	126	148

Perez Alfonzo, former Minister of Development and Minister of Oil under the 1959-63 administration of Romulo Betancourt, is known for his attacks on the V Plan as the "plan of national destruction." He has waged an unceasing, hysterical diatribe against establishing a national steel industry, expanding the nation's oil refining capacity, and modernizing agriculture. It is these attacks that the *Journal of Commerce,* the *Financial Times,* and the *New York Times* utilize to undermine the credibility of the government's development program. Perez Alfonzo, the champion of zero growth, is also known for referring to the growing proportion of children within Venezuela's overall population as a "cancer."

Besides naming Perez Alfonzo as a source of "grave danger" to the nation's interest, Rodriguez identified the foreign element behind him. He pointed out that Pérez Alfonzo was the minister who fought to implement the fraudulent "important substitution" policies of the Economic Commission on Latin America (CEPAL) under Romulo Betancourt.

Throughout the 1960s, CEPAL was the principal instrument deployed by the networks of the British oligarchy through the Kennedy Administration in Washington against Latin America. The CEPAL policy of *desarrollismo*, of establishing light "import substituting" assembly industries, was used as a ruse to keep countries such as Venezuela from adopting a commitment to strategic heavy industry. V Plan architects such as Lauria, Rodriguez, and President Perez are keenly aware of this fact, as Perez demonstrated in his first annual address to Congress in 1975, when he pledged: "We will change the industry of assemblies for the industry which industrializes."

These are the battle lines that determine the political struggle from which the V Plan emerged. The industrial program of the Perez government is by no means merely the idea of Perez, Rodriguez, and Lauria. It is the result of a coalition of forces in the public civilian sector, the military, and private business that has been taking shape since the nationalist regime of Gen. Medina Angarita was overthrown by monetarist agent Romulo Betancourt in 1945. The opponents of the historic V Plan tendency, whether of the *izquierdista* (leftist) or the *derechista* (rightist) variety, both during the 1950s and the 1970s are distinguished by two predominant tendencies: their hatred for technological progress, as well as their animosity toward state dirigism.

THE STATE SECTOR

The key to the V Plan is the state sector. As a result of the nationalization of the iron industry in 1975 and the oil sector one year later, the central government and its agencies have increased their share of the control of total annual investment from less than one-third four years ago to 44 percent in 1977. By 1980, the state will directly control 53.1 percent of all investment. This system of interconnected state enterprises is one of the most powerful economic entities in the developing world, and includes not only the most developed oil industry in OPEC, but it also controls all basic steel output, iron mining, bauxite, aluminum, coal, shipping, and most of the nation's electric power.

This entire network developed from a small office created in 1953 under army Captain Rafael Alfonzo Ravard, called the Commission for Studies of the Electrification of the Caroni (CEEC). This office, originally in charge of government planning for the then mineral-rich but undeveloped Guayana region in the southeast part of the country, eventually grew to encompass the entire iron and steel industries. Within 15 years it built a modern industrial complex around a mushrooming city (Ciudad Guayana) of a half-million where a small rural town of 40,000 once stood. Alfonzo Ravard, now a retired general, is currently the president of Petroleos de Venezuela, the heart of the Venezuelan economy.

In the 25 years since assuming direction over the strategic Guayana region, Gen. Alfonzo Ravard has maintained his burgeoning industrial operation intact despite four changes of government, one military coup (plus half a dozen attempts), and incessant Anglo-American attempts to destroy him and his heavy-industry program. The most serious of these attempts was the Betancourt-CEPAL operation of the early 1960s.

By 1960, the CEEC had become the Corporacion Venezolana de Guayana (CVG), an autonomous government agency headed by Ravard, then a colonel. The corporation's unrelenting campaign to see Venezuela establish strategic heavy industry presented a major threat to Anglo-American interests opposed to real Third World development, as was revealed in a candid series of papers on this subject later presented at a 1969 conference in Washington. The presentation of John R. Dinkelspiel was an hysterical attack against the CVG and Alfonzo Ravard personally. Political power, he wrote, results from the "marriage" of central government authority and technology — the twin demons of the enemies of development.

> "The CVG is a quintessential expression of this general tendency in underdeveloped countries. The urge to shape the broad processes of economic and social restructuring through the intensive use of technology is the leitmotif of the CVG's organization style . . . The ultimate source of the CVG's political power and credibility has been technology . . . Technology is the CVG's stock-in-trade."

As for Alfonzo Ravard, Dinkelspiel added with alarm:

> "The military man in Venezuelan government is no longer the caudillo, but has instead become the modern technocrat."

CVG policies "have not been progressive," he continued. They reinforce "statism." In horror over how Alfonzo and the CVG could get away with this, he concludes, "Venezuelans, particularly the elites, seem convinced that their economic advancement is largely dependent upon technological progress."

Several attempts were carried out by Dinkelspiel and his zero-growth cohorts at Harvard University and the Massachusetts Institute of Technology (MIT) to pressure the CVGinto abandoning its high-technology development approach in favor of "labor-intensive" programs, particularly in agriculture. Ravard countered with a proposal for draining the Orinoco river delta to establish factory farms based on the development of "skilled agricultural technicians rather than . . . peasant farmers." This, of course, Harvard, MIT, and the CEPAL-dominated Betancourt regime ignored. In utter disbelief, Dinkelspiel later wrote that the CVG seemed more interested in "maximum food production than, say, social change."

Since it was evident that the CVG industrial enclave could not be dislodged from power, CEPAL launched a concerted drive in the early 1960s to isolate and contain it. CEPAL's direct counteroperation to the Corporation was the Office of Coordination and Planning (Cordiplan), set up under Betancourt in 1959 for the expressed purpose of imposing "desarrollista" assembly-plant policies along with a program of "full employment" — the code-phrase meaning labor-intensive, low technology projects.

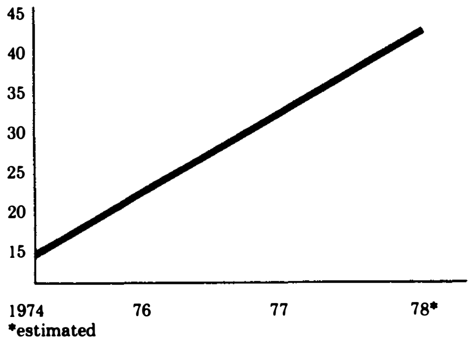
The founders of Cordiplan included Jose Antonio Mayobre, a close collaborator of CEPAL founder Raul Prebisch in drafting the Alliance for Progress for the Kennedy Administration; Enrique Tejera Paris, Betancourt's key liaison with former West German Chancellor Willy Brandt's wing of the Second International; Luis Lander, a Betancourt economic advisor; and Juan Pablo Perez Alfonzo. In fact, CEPAL was the spawning ground for virtually every Betancourt economic official.

CEPAL's first project was to flood Venezuela with light automobile assemblies, a classic case of the incompetence of CEPAL's "import substitution" strategy.

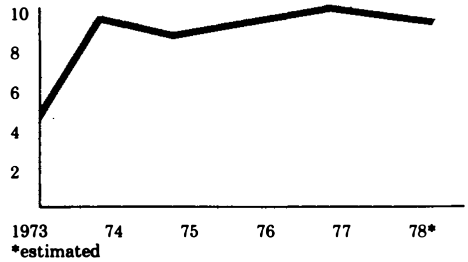
By 1961, it had induced Cordiplan to adopt two key perspectives concerning the automotive industry. First, there was to be no limit on the number of foreign assemblies to be established in the country. Almost every major Western automobile manufacturer was invited to set up assembly plants in Venezuela. Second, the Venezuelan government was to completely avoid all

5. Investment and trade

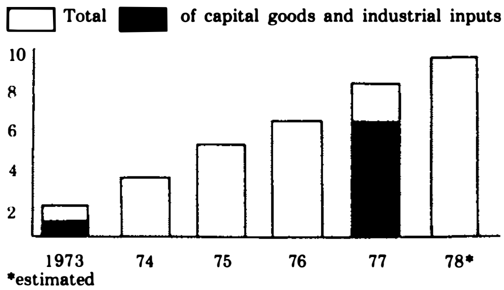
CAPITAL FORMATION
fixed gross investment, billions of bolivars (constant)



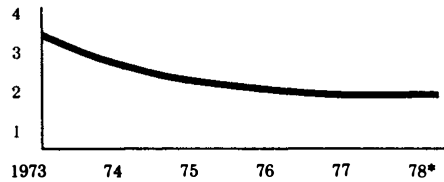
TOTAL EXPORTS,
billions of dollars



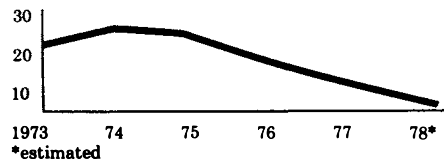
IMPORTS



OIL PRODUCTION, million barrels per day, crude



IRON ORE PRODUCTION, millions of metric tons



considerations of pricing, wages, and value-added factors in the planning of this sector. The only criterion for the gradual incorporation of these assemblies into Venezuelan hands was to be a slowly increasing percentage of domestically-made components per vehicle measured in gross weight.

The results of the CEPAL-Cordiplan operation were rather predictable. By throwing out the price, wage, and especially the value-added factors, the sector was operated on a primarily "cost-cutting" basis: the primary consideration was whether or not a firm saved immediate foreign exchange by "substituting" for imported finished automobiles. As Dr. Gumersindo Rodriguez has pointed out,

> "The few earnings we saved as a result of this apparent substitution of imports were by far exceeded by the immense quantity of foreign exchange we have had to pay for patents, royalties, inputs, machinery and equipment, profit remittance, overpricing, etc."

Consequently, by the late 1960s, with an internal market supporting only a few tens of thousands of vehicles, there were 14 foreign assembly firms slapping together more than 100 different models of cars alone. It is significant that the nation's first tractor plant was inaugurated only in September 1978 . . . under the V Plan.

It is no coincidence that Perez Alfonzo, one of the individuals most responsible for perpetuating this neocolonial CEPAL model, is the loudest critic of the V Plan.

CEPAL's control over the central government, however, was short-lived. By the mid-1960s, nation-building leaders in labor, private industry, the military, and the state bureaucracy began organizing on the basis of the increasing disenchantment with Betancourt's "assembly" economics in all layers of Venezuelan society. Under the 1963-69 administration of Raul Leoni, Gen. Alfonzo Ravard succeeded in dramatically stepping up the pace of the development of the Guayana industrial projects. This informal coalition for heavy industrial development formed the initial groundswell that eventually led to the nationalization of Venezuela's oil — the single most important political development in the process leading to the V Plan.

By 1970, CEPAL's networks and their Anglo-American sponsors began to worry over the "capture" by "nationalist groups" of the Venezuelan Congress and media in a campaign for increasing control over the petroleum industry. Under the terms originally granted to the oil multinationals, Venezuela was to resume control over their concessions in 1984. However, when OPEC crude prices soared in late 1973, nationalization loomed imminent.

Several of the candidates in the presidential elections of that year, among them Carlos Andres Perez, openly espoused the idea. In his first speech as President, Perez promised to nationalize the entire industry during his term of office. Two months later, he delivered the crucial blow against the CEPAL desarrollistas grouping. In recognition of the individual probably most responsible for perpetuating dirigist, high-technology outlooks in Venezuela, Perez appointed Gen. Rafael Alfonzo Ravard head of the presidential panel assigned to draft legislation for the complete nationalization of the oil industry. The supreme irony, however, was the appointment of Gumersindo Rodriguez as the minister in charge of Cordiplan, from which he directed the crucial initial phases of the V Plan.

THE NEXT GOVERNMENT

Venezuela now faces another crucial juncture. The nation's enemies have achieved a significant victory with the election of Luis Herrera Campins, who takes over from President Perez next March. Not only has Herrera Campins made it amply clear throughout the campaign that he sides with Perez Alfonzo, Betancourt, and others who are committed to "reorient the economy downwards," as Gumersindo Rodriguez put it. But he has already revealed that he will wage war against the nationally vital state sector. In his first public proclamation as President-elect, Herrera promised to combat "excessive intervention by the state" and promote "free enterprise."

These are no idle words. They are the policies of the most committed enemies of Venezuela's national interests. They will try at whatever cost to reverse the nation's path toward industrial maturity and send its people back into the bestial backwardness of labor-intensive underdevelopment. The remaining question is whether the forces represented by Gen. Alfonzo Ravard, President Perez, Gumersindo Rodriguez, and Roberto Salas Capriles, can organize sufficient political support to ensure that the projects initiated under the present government are fully realized.

—*Christopher Allen*