

ECONOMIC SURVEY

Perez's legacy in Venezuela

Nation-building policies are deeply embedded

Newly elected Venezuelan President Luis Herrera Campins used his inaugural address on March 12 to announce his intention of halting Venezuela's ambitious drive towards full industrialization. "I receive a Venezuela that is mortgaged with debts and distorted by inflationary pressures," Herrera complained. "Mine will be a government of sobriety, austerity, and work." The "easy enrichment" and "bureaucratic corruption" of the outgoing administration of Carlos Andres Perez, he added, will be replaced by a plan to "reduce the balance of payments deficit, renegotiate the public debt, and instill discipline in public spending."

A pleased *New York Times* article the following day translated the jargon into expected results: this means the end of President Perez's development strategy, "which invested oil income in huge industrial projects and agricultural development while applying price controls to consumer goods and subsidizing food consumption."

But the incoming Herrera administration, despite the *Times's* friendly forecasts, will not have an easy time of it. They will have to stop not only the *ideas* of the Perez government, as exemplified by the Fifth Plan of the Nation; they will have to stop its *realization* — a functional industrialization process which has already spun off an 11 percent industrial growth rate, a doubling of aluminum production in the last two years, the generation of a million new jobs since 1974, and agricultural growth rates of 5 percent per annum over the last five years. In short, Venezuela's Fifth Plan, the guiding policy document of the Perez administration, is no longer just a project or an intention; it is today a reality. And it is rapidly becoming a model for the Third World generally.

This is the strong sense gained by this reporter during a recent trip to Venezuela. There is an unmistakable, dominant mood in that country of *nation-building*, of national purpose and pride, which has begun to take root in Venezuela's 13 million people. When consulted, business leaders, government officials,

politicians, and even the proverbial man on the street know that their economy is booming, that new construction is going up everywhere, and that their oil wealth — to use a phrase famous in Venezuela — has been "sown" in order to reap industry.

There is of course no shortage of popular complaints about excessive government bureaucracy, about inefficiency and waste, and about the numerous growing pains that inevitably beset a boom economy like Venezuela's. But the sheer scope of the successful industrialization carried out under the Perez administration's direction, as documented in an earlier issue of the EIR (see Vol. VI, No. 1) and summarized in the charts below, is a fact that the new Herrera government will have trouble talking away.

In fact, if Perez' Fifth Plan is to be stopped, a far more serious showdown will be necessary. An evening of conversation with Dr. Gumersindo Rodriguez, author of the Fifth Plan while Minister of Planning under Perez, served to fully confirm this perception.

That showdown is already being planned by Herrera and his international sponsors.

What will Herrera do?

The self-consoling myth put into circulation by City of London-linked media is that the election of Herrera was a popular mandate against the aggressive development policies of Carlos Andres Perez. Nothing could be further from the truth.

The simple fact of the matter is that *neither* the Copei Party candidate (Herrera himself) nor his Accion Democratica (AD) opponent, Luis Pinerua Ordaz, campaigned in favor of continuing Perez's policies.

Herrera in fact won the election by default, not a "popular mandate."

During the presidential campaign and since his election, Herrera has argued for a policy of slowing down Venezuela's industrialization drive, announcing: "The entire nation demands austerity, and that will be our guide."

Herrera has further announced that he will:

* **Make agriculture the first priority.** Perez's emphasis on industry, which ironically has resulted in agricultural growth rates of 11 percent and 7 percent the last two years, will be reversed.

* **Impose "fiscal discipline" on the government budget.** Under Perez, the state has played a high-profile, dirigist role in directing the economy into areas of strategic priority. Herrera will try to reduce state spending and the state's role, leaving the economy to "free market forces."

* **Reduce the balance of payments deficit.** Under Perez, Venezuela ran up a trade deficit due to heavy capital goods imports for its industrialization drive, and financed this deficit through long-term borrowing on the international credit markets. The Perez government predicted a reversal of this trend in 5-10 years, once the industrialization drive has become self-sustaining. Herrera wants to reduce capital goods imports and stop contracting debt in order to balance the books — even if this means a no-growth economy in real terms.

* **Modify the price control system.** Perez kept strict control over the price of basic consumer goods. Herrera says this "distorts the market like a straitjacket," and must be changed.

* **Increase oil prices.** Members of Herrera's transition team have called repeatedly for Venezuela to take advantage of the current crisis in the international oil markets and sharply raise prices. Perez's policy within OPEC was always one of moderation, playing a crucial mediating role between the price "hawks" and "doves" within OPEC. A switch by Venezuela into the "hawks" camp will have major, destabilizing effects on OPEC unity. Additionally, Herrera spokesmen have talked favorably about turning over Venezuela's oil to a U.S.-led "hemispheric reserve," where it would be used to launch warfare against the Arab oil producers.

Who runs Herrera?

Although there are factional differences within the ruling Copei party, the Herrera administration

predominantly reflects the political line of Copei founder, ex-president and Venezuelan patriarch, Rafael Caldera. Along with Colombian fascist Alvaro Gomez Hurtado, West Germany's Franz Josef Strauss, and the oligarchic Otto von Habsburg, Caldera is a founding member of the European Center for Documentation and Integration, the twin institution of the notorious Mont Pelerin Society which is headed by Milton Friedman and proposes Chilean-style economics of "free enterprise" and deindustrialization worldwide. Caldera has for decades been a top organizer within Latin America for this approach, working closely with Falangist networks such as those associated with the schismatic French archbishop Marcel Lefebvre.

Given the Caldera connection, it is no surprise that Herrera's backers today include the entire network of anti-nation building forces linked to City of London and Wall Street financial circles. The anglophile Schroeder's Bank and Solomon Brothers investment house are known to play a particularly predominant role in shaping Herrera's economic policy. And the London-dominated New York Council on Foreign Relations (CFR) has for years been working on destabilizing Perez's political and economic strategies, and is reportedly pleased with Herrera's policies.

The composition of Herrera's cabinet also reflects this "Calderista" dominance. Despite the fact that Herrera was forced to call on a large number of relative unknowns to be able to fill the posts, and despite the fact that he had to expand the cabinet to an unprecedented (and unwieldy) 26 members in order to satisfy all factions, the key economic posts of Finance, Planning and the Central Bank will all be held by Caldera-linked monetarists. The new Foreign Minister was Vice-Foreign Minister under Caldera in the 60s, and is also expected to reshape Venezuela's foreign policy away from Perez's approach of active Third World solidarity.

Perez: will he return?

The CFR's best laid plans, however, will be running up against bothersome reality. For the fact of the matter is