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TO OBTAIN THE APPENDIX WITH THE METHODOLOGY OF CALCULUS AND DATABASE WRITE TO jkornblihtt@gmail.com

Introduction

The differential and absolute ground rent as extraordinary profits that rest permanent due to the existence of private ownership of non-reproducible conditions of production are possible to be disputes by different classes and fraction of classes. The history of Venezuela can be analyzed as the history of this dispute over the oil rent, intermediate by the State. In this paper, we will study in first place the amount of the oil rent and the different ways of its appropriation, in second place its impact on capital accumulation of industrial and non-oil sector as a whole, and finally we will analyze the particularities of “Chavism” oil rent distribution in comparison with former governments and its impact in the living conditions of the working class.

The measure of oil rent and its distribution over time is the fundamental step that allows the rest of our analysis. As rent is the consequence of extraordinary profits, we measure the profit rate of the oil branch in comparison with industrial and non-oil sector profit rate in Venezuela. This gives us the oil rent that the state (as owner of the branch in Venezuela) distributes directly to the capital by direct and indirect subsidies and by lowering the price of the labour force by the social wage. But this is not enough, because the dispute over rent exist before the oil sector receives its profits. We need to add the estimation of the impact of selling the oil locally and internationally bellow the international price (i.e., to Cuba during Chavez administration), measure the impact of overvaluation of local currency. Chart 1 shows the
result of our calculus, the different kind of mechanism of oil rent appropriation and its increasing magnitude in the last decade when it get its maximum level in history.


With total oil rent and its main mechanisms of appropriation measured, we advance to analyze the impact in the non-oil sector and industrial sector accumulation. We measure the transfer impact on the respective profit rate, showing that oil rent represents the most part of profits received by non-oil sector. In comparison with US and other Latin American countries this implies a higher profit rate before the 70s and an equalization tendency after the mid 1970 crisis. In terms of physical capital accumulation, we show a correlation between this indicator and the expansion contraction of oil rent, a result that contrasts the prediction of natural resource curse theory. This correlation decay in the last decade.

Finally, we show that the huge rise in oil prices during last few years implies the possibility of an expansion of transfers as much to the working class as to the national and foreign bourgeoisie located in Venezuela. The particularity is this rise of rent compared with the
former boom of the 70s is a different international context. Venezuela and Latin America lost their capacity to sustain and protect an uncompetitive industry that incapable to export restricts its sales to the local market. The fragmentation of working process and the expansion of exports led by industrialization in East Asia based on lower wages implied an industrial crisis and an increasing relative overpopulation for capital for Venezuela (and Latin America). In this context, the rent distributed by the state this last decade allowed the reproduction of increasingly obsolete capital (that as we measured received the biggest amount of oil rent) and the contention of a politically active fraction of the working class (the relative overpopulation) that show an increasing standard of life as result of expanded social policies, but without changing its character. In sum, we show that during Chavez there is not a qualitative change on oil rate distribution but an important quantitative one.

I. Oil rent and capital accumulation in Venezuela

The Venezuelan’s economic history’s shows, since mid-20th Century and particularly between 1960 and 1970, a strong industrial growth generally related to Industrialization by Import Substitution model. This growth suddenly ended with the sharp decline in oil prices during the late 70s and beginning of the 80s. An economic collapse of the non-oil sector followed the oil rent contraction. The magnitude of the collapse was so big that even the strong growth during the 2000s has not led to a full recovery. The product by worker is in 2008 at the same level than in 1980 and only a 14% over its level in 1970. This scenario is even worse when we compare it with the strong growth of productivity in the rest of the world, including Latin America. This downfall is not only important in terms of evolution but also if we analyze the levels. The growth of income by worker generated by the manufacturing sector were at the end of the 60s at a similar level to the United States’ (i.e, in 1969 the average income by industrial worker in Venezuela was a 90% of its pair in the US, see Chart 3)

Chart 2. Productivity index of manufacturing industry, Venezuela (191936- 2006) 1972=100

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1Baptista (2006) and BCV
The general explanation of the development of a country based on commodities exports is that the high income of the external sector generates a breakdown in the productive structure by appreciating the exchange rate with a negative impact in the competitiveness of the industrial sector. Even the so called “Dutch disease” or “Resource curse” explanation take
into account real problems of countries with high incomes from commodities exports, as the
difficulties of the industrial sector, fall to explain the cause of these problems.

In the Venezuelan case, these explanations cannot explain why if the windfall of oil revenues
is the cause of the malfunction of the capital accumulation in the industrial sector, during the
60s and 70s the oil boom was followed by a strong expansion of capital accumulation,
particularly on the industrial sector. Chart 4 shows the strong growth of fixed capital stock,
particularly between 1974 and 1979 with 500% of growth during the oil prices boom.


Thousands of Bs. F. from 1997

Source: See appendix

This problem was already stated by authors such as Haussmann (2001: p. 4), and shows the
inconsistency of trying to explain the growth by the same factors that explain the collapse. A
similar problem shows up when the explanation is not centered in the windfall of oil revenue,
but on the mechanisms of appropriation. Particularly in the debates about the overvaluation
of the Bolivar in front of the dollar, because there is far to be a negative correlation between
overvaluation and industrial growth. For an alternative explanation we have to focus on a
closer analysis of the non-oil sector in Venezuela.

II. The profitability of the non-oil sector

The analysis of the evolution and the level of the rate of profit (and its determinant
components) of the non-oil sector in general and the manufacturing industry in particular is
a good way to start an alternative approach to the problem. In Chart 5, we see a strong and continued fall in the rate of profit (measured as profits over advanced capital, including fixed and circulating) that did not stop even if the rate of exploitation (measured as profit over wages) has started to growth after 1989. This fall of the rate of profit is correlated with the productivity fall that we noticed in Chart 2 and with the evolution of the proportion between benefits over advanced capital, that we called fixed capital productivity.

Chart 5. Rate of profit, rate of exploitation and fixed capital productivity of manufacturing industry in Venezuela (1968-2006)

One of the explanations of this fall is that the overinvestment during the oil boom years generated an overproduction not possible to be absorbed by the small internal market. This was followed by an sub-utilization of the capital that explains the fall in the productivity. The small local market could not been compensated by an export strategy due to the overvaluation of the local currency (Lopez 2001: 78). As in Dutch disease explanation, we found real facts in Lopez’s argument, but with problems to explain the causes. First, the assumption that currency was an impassable barrier to exports. During the mid-90s to the 2000s the currency was not over valuated but sub-valuated and exports did not showed a particularly climb. Secondly, that during the late 80s there is growth in steel and iron derivate products exports, even the over valuation of the currency. So the limits exchange rate was not an absolute barrier to a virtuous oil rent investment.

Chart 6. – Commercial surplus of iron and Steel goods. Venezuela (1962-2009)
One of the problems in the explanation discussed above is that they are nationally centered and made abstract in relation to the international character of Capitalism. The fall in the rate of profit and the overproduction is not a particularly Venezuelan phenomena. As many Marxist authors analyzed, there was a general fall in the rate of profit since the mid-60s with the lowest point at the beginning of the 80s (Shaikh 2007, Duménil & Lévy 2002, Husson 2009, Kliman 2006 for the US; Glyn 2007 for OCDE countries). And there is also a clear relation between the general worldwide overproduction and this fall that motorized first the oil prices boom in the 70s and then the hard drop in the 80s (Bina 2006).

This fall in oil prices due to the general overproduction crisis is behind the fall of the oil rent that we see in Chart 1 at the beginning of this paper. In the analysis of the tendency of industrial rate of profit in Venezuela, we see that the fall started before the oil rent collapse, but this later accelerated the tendency. The result was that the level of the Venezuelan rate of profit leveled with the US and also with other Latin American countries such as Argentina.

Chart 7 – Manufacturing Industry Rate of Profit Venezuela, United States and Argentina (1968-2006)
If we analyze the general rate of profit of the non-oil sector, we found a similar collapse that started on the late 60s even on a faster speed, but instead of the industrial one we find a strong recovery after the mid-80s the endured until the mid-90s. Our hypothesis is that this difference is the expansion of the financial and commercial sector that could appropriate the external debt expansion during these years. And collapse with the financial crisis of the 90s.

Chart 8-. Manufacturing industry and Non-oil sector profit rate. Venezuela (1968-2006)

In short, we found that the evolution of the rate of profit follows the same trend that the worldwide economy. The oil rent has not changed the sense of the evolution in a qualitative
way, but in a quantitative one. As we have shown the, oil rent is appropriated by several mechanisms by the non-oil sector and this explains why a capital with a lesser productivity and with wages higher than East Asian countries can survive even longer that it should. The problem is not why the Venezuelan economy has collapsed. The problem is why it has not collapsed more. And the answer is the appropriation of oil rent.

III. The specificity of Chavism

In this context, we shall analyze the meaning of Chavist policies. First, we have to notice the huge increase of oil rent not only in absolute terms but also in its weight on the GDP that has made an impulse on the big growth of the economy that allowed a recovery of the GDP after the 80s collapse.

Chart 9 – Oil rent as % of GDP Venezuela (1980-2008)

![Chart 9 - Oil rent as % of GDP Venezuela (1980-2008)](image)

Source: see appendix

In Chart 1 and in the previous section we have seen the different mechanisms of oil rent appropriation and the centrality of the State and the exchange rate. In this sense, the expansion of the state intervention in Chavist years has not shown a change in its weight on GDP so is not there the specificity of Chavism, even the Statist and supposed Socialist ideology that inspires them.

Chart 10 – Public expenditure as % of GDP, Venezuela (1980-2009)
The main reason why the weight of the state expenditure has not risen is the less weight of taxes on the oil sector in total mechanisms of rent transfer (see Chart 1). In replacement, what has gained more importance is the overvaluation of the bolívar. The exchange rate overvaluation means an expanded capacity of the importer sector and the capitalist that sends its profits abroad (local or foreign), because it allowed for the acquisition of dollars in a cheaper way than if the exchange rate was the one that adjust to the parity. These transfers are possible because the export sector lost in the same proportion as its received less local currency (bolivares) due to the overvaluation. In chart 11, we see that instead of different devaluations during Chavism the overvaluation was never less than 200% with peaks of 400%. Even if a strong exchange rate control that only allows to get cheap dollars to authorized transaction (and that has generated a currency black market where the dollar is twice or more expensive than the official one) exists, the main benefits of these exchange rate policies is private capital. Not only the commercial sector one, but also we found an expansion of capital and intermediate goods for the industry (see chart 12). Only in the last 5 years the state has started to have its own imports arriving to a 20% of total non-oil imports (see chart 13). The result is that during Chavism the national and foreign bourgeoisie received without the state direct intervention the main part of the superb oil rent that arrived from above. They were the great winners of the Decade even if they wanted to expel Chavez from government several times.

Chart 11. % of overvaluation of Bolivar over parity, Venezuela (1997-2012).
Chart 12– Imports by type of goods (consume, capital and intermediate) Venezuela, (1948-2009)

Millions u$s

Source: BCV y OXLAD.

In terms of capital accumulation the result of this phenomenal transfer to private sector has not resulted in a strong expansion. As we have pointed out above, the recovery of the productivity has not reached the level it had before the 80s collapse. A closer look at this problem during Chavez year’s, shows than there was not a relative recovery in comparison with the US and worst we found a contraction of worker productivity’s in some years, in a stagnant general tendency.

Chart 14. Productivity Index evolution Venezuela (IPT V) vs. US (IPT EEUU), 1997=100

Source: see appendix
The explanation of this stagnant productivity can be easily found when we analyze what happened with the technology investment during this year. In Chart 15 we made a comparison of the fixed capital accumulation at the former oil boom in the 70s with Chavist years. The result is very clear: even if the amount of oil rent and its weight on the total GDP is bigger now that in the 70s the rate of accumulation was bigger in the former period. As we explained in the respective section, this cannot be explained by a Resource curse or Dutch disease theory. We need more research to get a correct answer to found why now oil rent is not invested as it was in the 70s. Our hypothesis is that we can found a clue analyzing the transformation of the world market and the new international division of capital and labor after the 70s crisis. The changes in capital concentration and centralization derived in a fragmented labour process and gave way to production in countries with cheap a labour force that displaced by competition countries that had a developed industry during the post World War II years as Venezuela. The combination in the fall of the rate of profit and the impossibility to get a new scale of production due to the lack competitiveness by having high labor cost in international terms and the decline in productivity led to a low investment of oil rent in fixed capital opposed of the former oil boom behavior. In next section we will analyze how this stagnant accumulation impact on social structure and in the results of class struggle during Chavism.

IV. Working class living conditions, social expenditure and overpopulation

As we have shown, the oil boom during Chavez years does not translate into a higher weight of State, even the nationalization of several companies policies and the Socialist speech. The capital accumulation rests stagnant even after a sustained growth of GDP. If the capital accumulation does not show a strength trend what seems to be the strong side of Chavez policies is it action to improve the living conditions of the working class. However, the
The evolution of general real wages shows that during Chavez years there has been a strong growth but departing from a low floor and just arriving to the average level of the 90s and far from the best years in the 70s (see Chart 16). The rise of wages follows the same trend than in the rest of Latin America, particularly on Argentina (Seiffer et al 2012). So is not there where we can find the secret of Chavism’s historical role leading the masses.

**Chart 16. Real Wages per month, Venezuela (1987 – 2008), Bolívares f.**

![Real Wages Chart](image)

Source: BCV

The low growth of wages is tied with the general evolution of the labor market. As consequence of the stagnant capital accumulation there was a transformation of the industrial structure and the demand of employment. As Marx (2000) has pointed the workers that cannot sell their force but also the one that sell to capital that operate in conditions behind the average productivity are part of the fraction of the working class so called “relative overpopulation”. During the collapse, this working class fraction’s grew in an exponential form. And the analysis of Chavist labour market show that, in spite the strength GDP growth and the oil rent boom, the unemployed, the state employees, the irregular works and the self-employed with an income under the wage average of the their activity show that the expansion of the oil rent has not been used to revert the condition of overpopulation of the mayor part of the Venezuelan working class (Seiffer et al 2012).

This character of the general conditions of the working class allows to understand where is focused the policies of Chavism. In chart 10 we showed that the weight of state expenditure in the GDP has not grown but when we analyze the portion of the social expenditure we found an important advance during last decade, going from a 35% to more than 45% But this increase is more clearly when it is calculate in absolute terms per capita. Chart 17 shows the historical record of the magnitude. And the link between the over-population and the expansion of social expenditure is clear when we analyze the evolution by category. In Chart 18, we can see that even if education is the sector with more expenditure, it just recovers the level of mid-70s. The main change in historical terms is the expansion of the social security.
This kind of expenditure is directly related to the assistance to the over-population where the masses that support Chavez come from.

Chart 17– Social expenditure as % of total public expenditure (1980-2009)

Source: SISOV y BCV


Bolívares fuertes constantes de 2008

Source: Aponte Blank 2010, OXLAD y SISOV

**Bolívares fuertes 2008**

![Chart showing social expenditure per capita by category over time.](image)

Source: Aponte Blank 2010, OXLAD y SISOV

**Final remarks**

In sum, after analyzing the State action during Chavez years we found that the collapse of capital accumulation after the oil boom in the 70s has not been reversed with the new boom of the 2000s. The fall in the profit rate leveled the private sector high profitability to the US and Argentina. The consequence was a low investment and a productivity fall not in absolute but also in international relative terms. This capital accumulation contraction generated an expansion of the relative over-population, including not only unemployed but employees by private or state capital that operates under the average productivity.

The rise of oil rent in last decade was the highest in Venezuela’s history in absolute terms and in its proportion of the GPD was not followed by an expansion in capital accumulation. An also remarkable founding is that the public expenditure has grown but in terms of the GDP rest in the same level that in former years. A stagnant capital accumulation in private sector and a public sector that not gained weight has led to give more importance of oil rent
in the Venezuelan economy. In spite of Socialist ideology, as we shown in Chart 1 most of oil rent goes to the private sector. Another way to test this, is shown if Chart 20. If we make a speculative calculus of the rate of profit of non-oil sector without these transfers we found that during last years more and more the oil rent explain the survival of unsustainable private capital with a tendency to bankruptcy (negative profit rate) without them.

Chart 20 Effective Non-oil sector profit rate (blue) vs. Hypothetic non-oil profit rate without rent transfers. Venezuela. (1980-2006)

The private sector was the main beneficiary of the oil rent transfer but it was not the only class that get an important portion of it. In fact, the working class has get a better living standard. Its political action and mobilization allowed to get a part of oil rent that the bourgeoisie tried to keep for them by several coups d’état and other actions. The policies implemented by Chavism does not changed the productive structure this fight of the working class does not ended in a better condition in wages terms. But class struggle made possible that the oil rent was appropriated in part also by the over-population fraction of the working class that remained in the same condition but get a better living standard. And if we analyze the working class as whole (including over-population and active workers) we can find an important increase in their income. The net social wage during last years (calculated as social state expenditure per worker less specific taxes) has sharply risen. But the Chart 21 shows also that these transfers are as well as the profit rate determined by the evolution of the oil rent. In 2008 the fall in oil price due to the economic crisis led to hard fall in the net social wage. This show the weakness of Chavism not only for sustain capital accumulation but also for the working class living conditions standards as result of not having advance in a real Socialist policy and reproduced the critical state of capital in Venezuela by allowing that
most part of oil rent was appropriated by private sector or fragmented and obsolete State companies.


Bolívares fuertes from 2008

Source: Fuente: Aponte Blank 2010, BCV y Encuesta de consumo. See appendix for methodology

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