Venezuelan Oil and Political Instability

A Case Study of Venezuela and its Oil Dependency

Gabriel V. Rindborg
Abstract

The natural resource curse is a widely debated phenomenon usually proposing a connection between large extractive resource wealth and substandard economic performance. This paper concerns the connection between large extractive resource wealth and the potential for its effects on long term political stability. Using Venezuela as a case study, this paper delves into the political history of Venezuela, plagued by endemic political instability, and attempts to test the political aspect of the resource curse, analysing history with a focus on the oil industry. The conclusion is that there is a clear connection between oil price volatility and political instability, but only evident starting in the latter half of the 20th-century. Further research into specific regimes, eras, as well as comparative analyses between Venezuela and other states is required to provide additional answers in regard to specific causes for political instability in the early 20th-century and the pre-oil period.

Keywords

Natural resource curse, Venezuelan political history, political instability, oil price, extractive industries, historical sociology
# Table of Contents

Introduction .................................................................................................................. 1

**Purpose and Research Questions** ........................................................................ 1

Theory ........................................................................................................................... 2

**The Resource Curse** .............................................................................................. 3

**Agency and Regimes: Political Survival** ............................................................... 5

**Synthesis** ................................................................................................................. 6

**Hypothesis** .............................................................................................................. 6

Prior Research .............................................................................................................. 7

**The Resource Curse and Venezuela** ..................................................................... 7

**The Resource Curse and Political Instability** ....................................................... 9

Method .......................................................................................................................... 10

**Venezuela: A History of Instability** .................................................................... 12

**Colonial History and State Formation (1500–1810)** ........................................... 12

**Bolivar and Political Instability the 19th Century (1810–1899)** .......................... 13

**The Impact of Early Oil (1899–1948)** ................................................................. 15

**American Oil Interests (1948–1958)** .................................................................. 18

**Democracy, Dependency and Crisis (1958–1989)** ............................................ 20


**Chávez’s Good Timing (1999–2013)** ................................................................. 24

**Return of Crisis: Maduro (2013–)** .................................................................... 26

Conclusion .................................................................................................................. 28

**Limitations and Further Research** ..................................................................... 31

References ............................................................................................................... 33
Introduction

Theories on economic development have experienced major changes in the last century. Originally, much of the developing world saw itself start off with policies oriented towards the modernisation of their economies, often in an attempt to move away from an agricultural economy to one based on industry (Bigsten, 2010). Following shortcomings in this modernisation effort, dependency models were the new trend, based on an idealisation of national self-sufficiency tied into Marxist conceptions of exploitation by the more developed powers. The general conception was that national industrial growth could be achieved through import substitution (ISI). There are both examples of success and failure for these, such as in the case of Brazil achieving unprecedented economic growth in the late 60s and early 70s (Alston, et al., 2016). Eventually however, fiscal crisis across the globe following the oil crises of the 1970s led to a policy of economic liberalisation, willing or forced through via debt, and an opening up to the global market (Gunnarsson & Rojas, 2008).

In similar fashion, the idea of resource wealth and its benefits have experienced a dramatic shift, from originally being presented as a blessing to a curse for the hosting countries; having been seen as a potential source of wealth from which to diversify and expand the economy, large concentrations of extractive resources are now seen as potential drivers of inflation and decreased human capital investment, the conclusion however is not that resource wealth has hampered growth, but rather failed to boost the economy (Ross, 2012, p. 221). Many explanations for the resource curse are very speculative in nature. The success and failure of policy is in many cases pinned to institutional factors, or key players (Mehlum, et al., 2006). Understanding of the political consequences and aspects of the resource curse is one currently lacking in historical sociological inroads and would benefit from a thorough case study.

Purpose and Research Questions

This necessity for more research is particularly compelling in the understanding of political discourse and stability of a state in relation to extractive industries. Often effects of the resource curse are measured in economic indexes, with political instability and corruption as side-effects of these but lacking in an analysis of the historical connection between the two. This essay constitutes a case study to fill the gap, and potentially inspire future inroads into a
wider sociological understanding of the political aspects of the resource curse thesis. The central research question is:

*Can political stability and instability be understood as a product of the resource curse?*

In the attempt to answer this question, this essay will take a closer look at the history of Venezuela, a country which sits on top of one of the world’s largest oil reserves and has an endemic history of political instability (Hammond, 2011; Heckel, et al., 2018). A number of transitions in political regimes have occurred in Venezuela following its independence from the Spanish Empire in 1811. The massive reliance on oil revenues and the subsequent inequalities and political struggle for control of the oil provides an exemplary case on which to analyse the relation between regime change and resource wealth. An additional research question specific to our case study is then:

*Does Venezuela’s economic dependency on petroleum explain its history of political instability?*

The approach of the essay will be on the one hand to analyse the sweeping aspects of Venezuelan history and economy, but on the other also the specific political history and development in an attempt to answer whether or not there is a significant political aspect of the resource curse at play in the historical political instability of the country.

I will argue that the resource curse indeed provides ample explanation for recent developments in Venezuela, that is following the oil crises of the 1970s, but that this does not apply to the same extent to periods before this, and that there may be more long term and yet unexplored factors at play, particularly considering the instability in 19th century Venezuela, predating the oil discoveries.

**Theory**

The theoretical inroad of this essay consists primarily of the resource curse. Traditionally it is an approach made based on the economic performance of states. This case study will however focus on the less explored political consequences of resource dependency. To do so, an understanding of motives of leaders in their decision making is required in order to allow for a potential connection between resource extraction and political fallout.
The Resource Curse

The discrepancy between the economic success of states, in terms of sustainable long term economic growth is one lively with debate. Traditionally the assumption has been that resource abundance, in terms of extractive mineral wealth including oil, is beneficial to economic development (Brooks & Kurtz, 2016). A quick look at the world shows otherwise however. Even though some states seem to benefit from large reserves of non-renewables, such as Norway, the same cannot be said for others. In fact, the evidence points towards the reverse: resource wealth correlating with diminished growth and development (Kim & Lee, 2018).

Generally, the approach to this relationship, the resource curse, is one centred around economic growth. Comparing and contrasting states with a large resource wealth, or potential for it, has shown significant discrepancies between investment on human capital, healthcare, and growth. Chong-Sup Kim & Seungho Lee (2018) demonstrate for instance that, controlled for varying regimes (presidential versus parliamentary), a presidential regime in a resource abundant state experiences on average less annual growth than its counterpart in a less resource rich location. A critique of the overall resource curse approach tends to be that there is omitting of variables and misspecification in the data, but which Badeeb, et al. (2017) demonstrate is incorrect.

In contrast to the earlier consensus of mineral and extractive wealth being positive for the economy, the resource curse is now widely debated phenomenon, connecting large extractive resource wealth and poor economic and democratic development, a topic which has picked up steam following the turn of the century (Badeeb, et al., 2017). Petroleum being one of the most important resources of our time has proved to be the focal point of this discussion; large influxes of oil revenue being the cause for rent seeking behaviour, inflation and in turn poorer economic performance.

Establishing a link between resource abundance and regime type is a far more sensitive topic than economic performance. Whilst economic performance arguments point out institutional factors as central (Mehlum, et al., 2006), any potential correlation, or not between resource abundance and authoritarianism is more debated, as there is no clear answer. On the one side, there are those such as Houle (2018) who point out that dependency on oil can be negative in initiating regime transition, that is from authoritarianism to democracy. Note that the
argument does not rest on the idea that resource abundance necessarily leads to authoritarianism or that democracies cannot arise out of oil-rich authoritarian regimes, but that it hinders such development from occurring. The connection between democracy, or lack thereof, and oil has also been made, with proponents arguing that oil wealth has hindered the democratic wave following the collapse of the Soviet Union from reaching their countries, or even pushed back democratic institutions (Ross, 2012). This is not uncontested however, as there are those such as Brooks and Kurtz who argue on the contrary to the previous established consensus, that “oil wealth is not necessarily a curse and may even be a blessing with respect to democratic development.” (Brooks & Kurtz, 2016, p. 279) The general consensus however is that of resource wealth providing significant challenges to economic development and democratisation. (Badeeb, et al., 2017)

The economic approach, though enlightening of the question itself, provides few answers. Resources, though predictive, cannot in and of themselves explain whether or not a state will fail to benefit from these. There is instead a deeper mechanism at play: the management of these resources. States with access to large quantities of extractive resources adapt their structures around these industries. Oil, the most relevant extractive industry of our time, tends to shift the focus of the capitalist elite towards rent seeking in or around the petroleum sector. Extractive sectors also require fewer, but more skilled workers, who strengthen their bargaining positions in comparison to an agricultural or industrial economy. Oil, being concentrated in large parts in a few states across the world also increase incentives for cartel formation, as seen in OPEC and its precursors. This high rent seeking behaviour and concentration of power at all levels contributes to promote qualitative differences between the organisation and political environment of a, in this case, petrostate versus a more diversified economy. (Karl, 1997, pp. 49-54)

The common factor in attempts to explain the resource curse, whether it be the discrepancy in economic output or in regimes, is an institutional approach. This is not to say institutions in the sense of family or church, but in the sense of institutions beneficial to economic development that can be implemented by states; also known as policy. That is, the differences between say, Nigeria and Norway, two states with significant oil reserves, can be boiled down to policy (Holden, 2013). Though an answer, this answer does not provide any insight into the actual mechanics of policy, institutions and the actual historical relationship between resource abundance and the state or its people. Further, the question of regime stability, which is of the
greatest interest here is often raised in the limits of the institutional context, with markers pointing to institutional and political instability being a result of large concentrations of natural resources (Ross, 2012, pp. 63-109). Little if no research actually attempts to describe the connection in each case for or against this thesis, choosing instead to focus more broadly on economic indexes.

In order to fully understand that relationship, and the effects of the resource curse one must attempt to understand the relationship between economic activity and political agency or at least define a framework from which to build upon. The focus in this case study will be on the resource curse beyond indexes and institutions, and instead as Orihuela (2018) emphasises should be the case, focuses on the location and context of a particular state.

**Agency and Regimes: Political Survival**

To test the resource curse historically, and see its effects on political stability or instability, there is a necessity to understand the agency of the individuals acting within that. The potential for a connection between the resource curse and political stability relies on historical agents which act beyond idealistic principles, and more grounded in the material reality around them.

Often there is a discrepancy between the understanding of political manoeuvring of players on an individual level and that of governments or states as a collective. National interest and geographic factors are common within the analysis of international relations, whilst individual self-interest and gain stand as central in understanding decisions on a smaller scale. This difference is detrimental to the understanding of an agent’s decisions within the context of national interest and government. An approach which can unify the two is required. Although bringing in Tilly’s structuralist but also self-directed views on agency or Giddens structuration theory would be interesting, there is an approach to the rationale itself which provides more clarity in our context.

Bueno de Mesquita, et al. (2003) provide this in their argument for political survival as a defining feature of decision making in social contexts; and since decisions are always made embedded within a social context as Granovetter (1985) argues, this applies for decision-making in at all levels. Bueno de Mesquita and Smith (2011) argue that all power in an organisation is built upon three layers; the nominal selectorate, the real selectorate, and the
winning coalition. The nominal selectorate being the group who on paper get to choose the leadership, the real selectorate being the group who actually makes the final decision in choosing the leadership, and the winning coalition being the group who wins in return for their support to the leadership. The leader or leadership only survives by maintaining their access to resources and distributing these resources between themselves and the winning coalition. The size, composition and the relationship between the leadership and these three groups defines the nature of the regime and the steps required to secure power. The assumption being that the leadership and competitors for the leadership always act so as to maintain or secure power rather than out of idealism or in the interest of a greater whole (Bueno de Mequita & Smith, 2009).

This approach to the agency of historical figures provides a way to distinguish gradual changes in regimes, and the direction of the regime in the size of the winning coalition and the real selectorate. Most importantly, it allows us to understand whether or not the increased revenues from oil are or are not being used to solidify power, or in a situation of shrinking revenues whether and how it leads to the ruler’s overthrow.

**Synthesis**

Having outlined the theoretical approaches in this essay, how does one understand these pieces collectively? The resource curse is, as has been made clear by now, the primary approach to be tested in this essay; one which will be done politically through a historical approach. The decision making by individuals and organisations assume political survival as priority in order to understand the connection between resources and political regime/transition. Just because the latter is assumed does not necessarily mean that the resource curse will have clear political consequences, only that there is a framework from which to understand why it would be the case.

**Hypothesis**

The hypothesis of this paper will primarily be based on the nuanced nature of the debate on the resource curse; expecting a connection between oil and political instability, but also not ruling out other factors in explaining the endemic instability in Venezuelan history, especially prior to the discovery of oil. Hence, we can formulate our expectations as follows:
• The resource curse extends to political life in the form of long term instability; and endemic political instability of Venezuela in the 20th-century can to a great extent be explained by the political consequences of the resource curse.

Prior Research

Prior research on Venezuela is quite extensive; the nature and timeframe of that research tends however to focus on the policies of recent the more Chávez and Maduro governments. Extensive accounts of the political history of Venezuela, as well as some analyses of the resource curse thesis on the country exist and have provided insight in the attempt to test the resource curse from a political standpoint.

The Resource Curse and Venezuela

As seen, political survival is a useful framework in understanding the decision-making process of leaders both on a small and a large scale. Though there is extensive research done on the process in other areas, such as in the role of political survival in international relations and war, the analysis of Venezuelan politics using Bueno de Mesquita’s & Smith’s (2003) logic of political survival is almost non-existent. Fortunately, one study performed by Bucheli & Aguilera (2010) testing the political survival hypothesis on a collection of countries as well as a firm, these being Mexico, Colombia, Standard Oil of New Jersey, includes Venezuela. The findings are general, but there are sections specific to Venezuela. Here the conclusion is that indeed, oil revenues played a role during Venezuela’s more authoritarian years in keeping their leaders in power by distributing that wealth among a limited winning coalition, whilst in its shift towards democracy, the expansion of the winning coalition meant that these revenues were distributed among a larger and larger group of people in the form of public goods (Bucheli & Aguilera, 2010).

Most central to the essay however, is the contribution of Ellner’s Rethinking Venezuelan Politics (2008) which provides an account of Venezuelan history not centred on personalities but on policy. It is also a work which provides a useful focus on socio-economic factors, and insight into the machinations at levels below that of the leaders, which are both useful to keep in mind and for a useful analysis of the framework previously outlined. Ellner analyses Venezuelan politics from a class centred perspective, concluding that the instability in the
political system is a product of the class tensions common to the Latin American reality, in combination with unique aspects such as military participation and most importantly, oil production; the latter factors somewhat lacking in Ellner’s analysis. Also utilising a class centred perspective, Chiasson-LeBel (2016) sees the rise of statist left-wing movements as a product of oil privatisations and their social consequences; contrasting the approaches of Ecuador and Venezuela, concluding that the latter has opted for a more aggressive stance in contrast to the former, who also is a smaller producer and less dependent on these industries.

Terry Lynn Karl’s *The Paradox of Plenty* (1997), which focuses specifically on the impact of oil on the Venezuelan political landscape from the 1970s to the early 1990s, is perhaps most similar to this essay in its method and analysis. It limits itself to only the 1970s and onwards, being however unable to answer the underlying question of long term patterns of oil wealth and stability or instability. Karl concludes that the oil booms had a destabilizing effect on the political climate of Venezuela, as the extreme optimism, centralisation of power were unsustainable, particularly in the following downturn of oil prices.

All is not dark however, as researchers such as Hammond (2011) argue that Venezuela has in fact overcome the resource curse. By contrasting Angola to Venezuela, he claims that rent seeking through oil production and extraction ultimately leads to corruption, but that this negative effect can be overcome, and has/had been overcome by Venezuela under Chávez by what is described as a “political and social revolution” (Hammond, 2011, p. 348). It is worth noting that this was written before the current crisis and before the death of Chávez.

In regard to more recent developments in Venezuela, there are those such as Laura Gamboa (2016) that present alternative explanations. She argues that recent democratic backsliding and the formation of a competitive authoritarian state has its roots in the failure of electoral strategies by the opposition, not class conflicts such as argued by Ellner (2008) or oil. Similarly, Corrales (2015) provides an insight into the mechanics behind the slide towards authoritarianism in Venezuela under Chávez. Corrales goes beyond blaming the opposition or reciting a detailed history of the last two decades but presents instead a detailed list of laws, reforms, and factors which have accumulated over time to create the case of competitive authoritarianism arguably seen in Venezuela. The conclusion here is also one of the importance of oil revenues in the consolidation of power but more so international factors at play. This disconnect between material conditions and political development extends also to
researches such as Justin Gengler (2015) who see other factors such as state legitimation in fields beyond the economic as contributing factors to political instability.

As to the relation between the people and oil as a resource, and how that relation plays out in political action, Iselin Åsedotter Strønen (2017) provides a nuanced argument on the political consciousness of the lower classes. She argues that oil has played a major role in shaping the political landscape, but at least from the perspective of the lower classes themselves, it has never been a case of being bought out or bribed to support. Åsedotter Strønen (2017) argues that under Chávez, Bolivarianism has not been imposed from the top down with oil money, but rather actively been reshaped and remodelled as the lower class has formed a political identity.

**The Resource Curse and Political Instability**

Though research on Venezuela specifically is rather limited in terms of a long-term analysis of the resource curse, the phenomenon itself is widely explored. Comparative studies between states are common, such as Hammond’s (2011) comparison between Angola and Venezuela. Often comparative studies also tend to focus on measurable economic indexes. The focus in this essay on political stability or instability rather than economic performance is one which narrows down the choices significantly. The use of a case study, though common is also less prevalent (Gagnon, 2010), which only contributes further to that factor.

That said, Esu (2017) performed a similar study though much larger in scope, on the Nigerian case. Focusing primarily on the impact of oil production on the economy, setting out to either refute or accept the resource curse hypothesis, Esu (2017) performed a quantitative analysis between human development and the production of oil in the economy. Esu concludes that:

> The findings showed that generally, crude oil abundance has positive effects on the Nigerian economy, however, the resource curse hypothesis was found to be present, and had been transmitted by institutional factors such as corruption, weak rule of law, government ineffectiveness, political instability/violence & terrorism and so on. (Esu, 2017, p. 153)

There is also research on states such as Norway, which present the opposite cases in the resource curse hypothesis. Holden (2013) argues for instance that the management of the oil wealth, the distribution of it among the public sector and the creation of a foreign investment
fund, which may help prevent Dutch disease, is the governing factor in the Norwegian success story.

Primarily however, it is research such as Jorge Salazar-Carrillo’s *Oil and Development in Venezuela During the Twentieth Century* (1994) which provides the most extensive empirical work on the specifics of Venezuelan oil and its impact on Venezuela throughout the span of the 20th-century. Salazar-Carrillo focuses more on de facto economic development and indicators, showing that oil had little impact in contributing to actual growth, drawing no particular conclusions on direct impact of oil on the political climate of the country.

**Method**

Sociological studies possess a wide range of methods from which to pick from; ranging from unstructured qualitative interviews or photography, to purely quantitative analysis. All choices of methodology are hopefully made with relevance in mind; using it as a tool rather than a goal in and of itself. This essay utilises a historical case study on Venezuela in order to answer whether the resource curse thesis has long term consequences on political stability. At a first glance, a comparative study between a multitude of states in a comparable situation to Venezuela may come off as a more rewarding approach. Indeed, comparative studies provide a more thorough basis on which to in a more definitive manner highlight common factors and key differences between cases (Ritter, 2015, pp. 24-26). Why then focus solely on Venezuela? Due to the constraints in size and time of this study, the inclusion of more than one case would dilute the overall clarity and ability of this research to provide meaningful and detailed answers. Hence, even though parallels may be drawn throughout the essay and more specifically in the discussion to states in similar situations, the primary subject of study is Venezuela.

Case studies come in many sizes, with the common denominator being the focus on a particular process or moment. Case studies may not be able to provide definitive or generalisable answers applicable to other situations, but they do provide a deeper understanding of the particular. It is with the deeper understanding of a particular case that patterns between cases can be extrapolated in further research (Gagnon, 2010). Case studies then provide an important foundation on which further understanding and research can build upon; this essay intends to use the case of Venezuela to do just that.
Why Venezuela? After all, many states are both rich in natural resources and have a history of coups and regime transitions, fluctuating between democracy and authoritarianism. Venezuela is interesting not only because of its oil reserves and political instability (Hammond, 2011), but because of the nature of these regimes and the extremes of its wealth, particularly following the oil crises of the 1970s and the rather unusual presence of a democratic regime during the period. Traditionally the assumption is that a high dependence on extractive industries tends to strengthen dictatorial regimes (Bueno de Mequita & Smith, 2009). But how then did the democratic periods come about, and why did they end; were they stable? If one can understand this grey area, there is a potential to understand if the petroleum wealth and the resource curse hold true in a political sense for the country. Venezuela is also of interest due to its geographical situation; being encompassed by the American Monroe doctrine, direct foreign military intervention has been rare and places it apart from states such as Saudi Arabia, Iraq, Angola and so on. Furthermore, compared to the previously mentioned states Venezuela is also a relatively old state, providing a greater breadth of empirical evidence from which to work on.

What separates then a generic historical case study from the following paper? Whereas a historical study of our question might have centred on reciting the history and provided an overarching narrative, the approach here is to construct an explanation for the political instability in Venezuela and simultaneously test the resource curse thesis. To do this, I rely on a selection of secondary data provided by historians and researchers before me who though not necessarily exploring the same topic, provide insight in their use of first hand sources to the political climate and oil dependency at different points throughout the history of Venezuela. The reliance on secondary sources is a product primarily of language restrictions as well as a necessity in trying to cover such a broad span of time. The results should however, unless our current understanding of the political climate of the past changes drastically, prove to be the same whatever the thesis of the secondary source may be.

Readers familiar to Venezuela may find little, if anything, that is ground-breaking in the historical evidence presented. Thankfully, providing an entirely new perspective though desirable is not the primary aim of this essay; instead this essay aims to test the resource curse thesis in connection to the history of political instability in Venezuela, an aim which requires more breadth than depth, and is rather more concerned with analysing already established truths from new perspectives.
The choice of a historical case study comes with some limitations. The results presented will most definitely not be generalisable, and the rather short nature of the paper may leave little space for details. The hope is that this paper can serve as a first step into further studies on the matter, whether they be comparative in nature, or more in depth on particular periods. The argument presented will hopefully inspire debate on the political consequences of the resource curse and with luck serve as one in a multitude of building blocks on the topic.

Venezuela: A History of Instability

Venezuela has a long history of political instability and oil extraction. The following chapter will proceed chronologically, breaking down period by period in order to ease the understanding of colonial, pre-oil and the more modern Venezuela. Stage by stage we look at the instability of the time and analyse its connections or lack thereof to oil.

Colonial History and State Formation (1500–1810)

Venezuela is, like most modern American states a product of 300 years of colonialism and 200 years of independence, and though oil was still a far way off, it is worth exploring, if briefly, the colonial period and its consequences.

Following the ‘discovery’ of the Americas, what was modern day Venezuela was of interest not because of the resources found, which were meagre, but because of the potential for the very same; the search for the illusive cities and mountains of gold. A brief German expedition into what they called Klein-Venedig (little Venice) failed within the span of a couple of years. The Spanish founded its first South American settlement, Nueva Toledo, modern day Cumaná between 1515 and 1522. In time, the gold and the best plantation lands proved to be elsewhere; the area was not even a prominent trading hub, those being in modern day Colombia, Panama, and most importantly in the Caribbean. In fact, Venezuela, was not even a separate colonial administration until 1777, when the Captaincy General of Caracas was established, having been dependent on Lima, Quito, and Bogotá until then. Only following this was the power in the region centralised to the elites in Caracas. (Heckel, et al., 2018)
But what of the economy and social relations in the colonies at the time? Detailed data is hard to come by, but colonial Venezuela was primarily an agricultural settlement dominated, like most of the Iberian colonies, by the hacienda mode of farming; consisting of large plantations running on cheap or slave labour owned by opportunistic strongmen from Europe (Retsö, 2010). It is safe to say that these property relations were bound to be questioned, especially with a growing population and as central power in Spain collapsed in the wake of the Napoleonic wars.

Control over the economy, was on the one hand spread out between a large number of haciendas, impeding a successful unilateral rebellion, but also with executive power centralised to Madrid, across the Atlantic, a vast Empire with both power and means to squash any aspirations of economic sovereignty. There was no major extractive industry, and the political elite and establishment was tied to Europe and the surrounding colonial administrations. There was no ‘Venezuelan’ market to speak of, and so no necessity for a local elite or government. This slowly changed over time, with more rebellions and more centralisation as a result; paving the way for an independent political authority in the region. The reason for these rebellions sparking in ideological struggles and desire for political control, and not brought about by any dependence on a particular commodity. (Retsö, 2010)

**Bolivar and Political Instability the 19th Century (1810–1899)**

It should not be surprising that when the central authority of Madrid vanished during the Napoleonic Wars, it was the elites in Caracas and elsewhere who unlike the popular masses, supported independence to begin with. Power in the Captaincy having been centralised to Caracas, the long term political benefactors of secession would be the Caracas elite, who would now be able to usurp the powers Madrid had held over them. To the popular masses, unless more radical change was promised, the cost of rebellion for little or no gain meant that a preservation of the status quo was the default stance. The argument being then that the instability of the independence movement was fuelled initially by the desire of the local elite to usurp greater sovereignty. (Ellner, 2008)

A part of the aforementioned colonial elite, Simon Bolivar arose as one of the main driving figures of this independence movement. His legacy is not only that of overseeing the
independence of Gran Colombia, Peru and Bolivia, but being the thin layer of glue holding the political unity of Gran Colombia in place (Retsö, 2010). The independence of Venezuela and her Spanish colonial siblings was not a success right off the bat in 1810. It was only by the third attempt, securing support through redistribution of land, decrees on the abolition of slavery, attacking previous federalist rhetoric and the accession of a reactionary monarch in Madrid that the rebellion succeeded in 1821. These moves, especially the anti-federalist rhetoric and the redistribution of land from Spanish loyalists to his officers, can be seen as a move away from a winning coalition based solely on the local ‘aristocracy’, to one including more popular support. (Ellner, 2008)

Venezuela was part of the Republic of Gran Colombia until Bolivar’s death in 1830. The collapse of this state and the political instability that followed can arguably be traced back to the economic outset and the origins of the independence movement. The elite who originally moved for secession from Spain in the various colonial provinces, headed by Caracas, Bogota, Quito etc. had expected their own power to grow, either regionally, becoming federalists, or in their capitals, becoming centralists (Retsö, 2010). Both parties’ competition for power without a centralised economic life eventually led to the collapse of the federation, leading to independent states around already previously formed colonial administrations and economic centres. (Ellner, 2008)

The remainder of the century in Venezuela can best be described as stable instability. In the period 1830-1899 there were three major overarching moments: an extended period of conservative rule, a civil war between conservatives and liberals, and a lengthy period of liberal rule. Traditionally the century is seen as somewhat of a ‘lost century’, as the winning liberals refrained from implementing democratic and economic reforms in the wake of the civil war, which they had promised to do. As a consequence, the agricultural semi-feudalism of the countryside remained largely intact. (Ellner, 2008)

The lack of substantial reforms during the Páez (conservative) and Guzmán Blanco (liberal) governments, even with lofty promises of democracy, particularly during the liberal era following the civil war, can be seen as a strategy of political survival. The transition from landed, indirect elections to universal suffrage is not one done lightly. Unless there is a radical shift in the composition of the selectorate, there is little incentive for any electoral reform (Bueno de Mesquita & Smith, 2011). When power and the economic life is concentrated in the hands of landowners in an agrarian economy, only an industrialisation and
strengthening of the working class in cities or other development can make a change of electoral system a politically viable or necessary move in the name of political survival.

The sustained clash between liberals and conservatives throughout the period, culminating in civil war, the most prominent for of political instability, is traceable to a general conflict between classes or interest groups vying for dominance over the state rather than to a resource. Perhaps the state as an institution at the time was in and of itself weak, unable to centralise power sufficiently to deal with internal struggles between liberals and conservatives. The only certainty is that instability was a feature of Venezuelan political life long before the discovery of oil in the country.

**The Impact of Early Oil (1899–1948)**

The dawn of the 20th century also happened to coincide with somewhat of a renewal of the political field in Venezuela. It was a period not only marked by several shifts in the conduct of politics, but also the beginning of a new era for Venezuela with the discovery of oil in the 1910s; a source of wealth that would come to redefine political relations of the until then coffee exporting nation.

In 1899 Cipriano Castro and Juan Vincente Gómez led an insurrection which resulted in Castro taking power. His rule only lasted until 1908, when Gómez led a coup against his former ally and consolidated power around himself, surviving in office until 1935. In many ways the government of the two was very similar, promising democratic reforms but failing to deliver, using nationalist rhetoric but willing to open up for exploitation (Ellner, 2008). The fundamental difference between the two is on the one hand their legacy, Castro having been adopted as somewhat of a national hero by Chávez (Ellner, 2008), and on the other the access to oil as a reliable source of revenue for the state. Castro may indeed have had ambition to stay in power much longer, but oil by 1908 was not close to a significant source of income to be exploited, though it showed potential (Salazar-Carillo, 1994).

The legacy of Gómez, like much of the history of Venezuela, and history in general is a contested one. On the one hand there are those who argue that Gómez served as a puppet to the oil industry and was installed by oil companies following fears of Castro’s supposed radicalism; on the other Gómez centralisation of power, the creation of a standing army, and control over the cattle industry are used as arguments against the former (Ellner, 2008). In the
context of oil revenues, they did indeed grow substantially as a of public revenue from 0% in 1917 to 28.6% in 1935 as seen in Table 1, and the idea that oil companies stood to profit from a government friendly to their interest can’t be denied. Particularly interesting is the jump from 16.9% of total exports in 1923 to 67.1% in 1926, and a massive jump in public revenue share from 12% to 22.5% in the span of one year (1927-1928).

**Table 1: Petroleum Revenue and Export Share 1917-1936**

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Revenue Share Originating in the Oil Sector</th>
<th>Public Revenue Originating in the Oil Sector (Millions of Bolivares)</th>
<th>Oil Exports as Share of Total Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>0.0%</td>
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</tr>
<tr>
<td>1918</td>
<td>2.0%</td>
<td>1</td>
<td>2.0%</td>
</tr>
<tr>
<td>1919</td>
<td>1.4%</td>
<td>1</td>
<td>0.0%</td>
</tr>
<tr>
<td>1920</td>
<td>1.0%</td>
<td>1</td>
<td>0.0%</td>
</tr>
<tr>
<td>1921</td>
<td>3.0%</td>
<td>2</td>
<td>5.4%</td>
</tr>
<tr>
<td>1922</td>
<td>9.9%</td>
<td>8</td>
<td>8.9%</td>
</tr>
<tr>
<td>1923</td>
<td>4.5%</td>
<td>4</td>
<td>16.9%</td>
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<td>22.5%</td>
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<td>78.9%</td>
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<tr>
<td>1929</td>
<td>19.9%</td>
<td>51</td>
<td>81.1%</td>
</tr>
<tr>
<td>1930</td>
<td>19.3%</td>
<td>47</td>
<td>87.0%</td>
</tr>
<tr>
<td>1931</td>
<td>24.9%</td>
<td>47</td>
<td>84.0%</td>
</tr>
<tr>
<td>1932</td>
<td>25.7%</td>
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<td>85.7%</td>
</tr>
<tr>
<td>1933</td>
<td>26.5%</td>
<td>45</td>
<td>81.0%</td>
</tr>
<tr>
<td>1934</td>
<td>29.1%</td>
<td>52</td>
<td>85.0%</td>
</tr>
<tr>
<td>1935</td>
<td>28.6%</td>
<td>59</td>
<td>86.4%</td>
</tr>
<tr>
<td>1936</td>
<td>25.2%</td>
<td>64</td>
<td>85.9%</td>
</tr>
</tbody>
</table>

However, it is worth asking who benefited more? Using the logic of political survival, the fall of Castro and the success of Gómez can be traced to their failure and success in consolidating revenue and rewarding their winning coalitions; whilst Castro may have had access to considerable revenue from the state, Gómez consolidated the cattle industry, and saw a massive new source of revenue for him and his coalition flow out of the ground; oil becoming the main export after 1925 (Ellner, 2008; Salazar-Carillo, 1994). Yet, even with increased revenues and theoretically more control on the part of the regime, protest sparked in 1928 that would lead to prominent democratic figures that participated at the time being designated as the generation of 1928. These did not lead to any changes, but still came before the great depression that hit the world the following year, and the resulting drop in revenue share as seen in Table 1.

Following the death of Gómez in 1935, there was no radical democratization process, but rather a slow opening towards it. The military elected two presidents, serving one term each between 1936 and 1945: López Contreras and Medina Angarita. Just this very opening from one man serving for life versus a term could be seen as radical break from the previous state of Venezuelan political life. Both Contreras and Medina oversaw the legalisation of various parties, most importantly Action Democratica (AD) under Medina, as well as an opening to eventual direct elections for the presidency (Ellner, 2008), and though this never came to pass due to the following coup in 1948, this period if any is the most difficult to understand in relation to the resource curse. Oil revenues were relatively stable during this period, with the share of total GDP actually staying the same (with some large fluctuations) between 1936 and 1945 as Table 2 makes clear. Perhaps this did allow for a relatively stable period, but the apparent move towards democracy is in the traditional understanding of the resource curse is made less likely due to the concentration of wealth and power (Ross, 2012; Badeeb, et al., 2017). The logic of political survival helps even less in attempting to decipher this supposed liberalisation during the second world war. Other factors are probably at play, be they internal or external.

Wherever the answer lies, the regime of Medina came to an abrupt end in 1945 with a coup by junior military officers in support of Action Democratica (AD) (Kolb, 1974). It can best be described as a democratic coup, which many today argue represent the first time Venezuela experienced a democratic regime (Kolb, 1974), but whose abrupt end in 1948 by another coup has arguably led to the period being over-glorified, as Ellner (2008) argues. Even with
three elections and a share of 70% of the vote in the elections, AD proved to have ambitions that were out of line with liberal democratic thinking, attempting to dominate not only the political debate also the economic field by direct influence rather than purely through mechanisms of the state. These ambitions are often described as corporatist (Retsö, 2010; Ellner, 2008), and probably driven by oil, which made a return on a bigger scale again not only with AD but also COPEI following 1958. Where exactly this would have led is hard to ascertain, but this progressive and reformist period had undertones of hegemonic domination, a fact which considering AD’s socialist roots, and the “no more concessions” act effectively blocking further exploitation by new companies, must have worried the oligarchic classes and foreign interests, who by this time saw Venezuela as an invaluable source of oil, exporting 1.1 billion US$ worth of oil per year, a staggering 97% of exports, and with and oil revenue as a percentage of GDP reaching 31.2% (Salazar-Carillo, 1994). The coup of 1945 is hard to tie to the petroleum industry however, as once more there was is little sign of any major revenue drops.

The instability of the period is difficult to connect to oil. The success of Gómez can be understood as having benefited from the new revenue stream. The following democratisation process and the democratic coup of 1945 are far more difficult to tie to events in the petroleum sector. Prices were relatively stable at the time and as we shall see, there is little indication that revenues were on the way down. In fact, the only major price drop during the period, following the wall street crash of 1929, did not spark protests, coups or revolution; which ultimately points at other factors playing a more important role in the political instability of the time.

**American Oil Interests (1948–1958)**

In 1948 the military intervened again, banning AD and the communist party of Venezuela (PCV) just a few years later. At first the junta was led by Carlos Delgado Chalbaud, but soon saw power consolidated around Marcos Pérez Jimenez, who held fraudulent elections in 1952, confirming his self-appointed presidency following the suspicious death of Delgado Chalbauld in 1950 (Ellner, 2008). The regime of Pérez Jimenez was not only highly repressive, but also extremely beneficial to American interests, seeing the Reciprocal Trade Treaty of 1952 allow for a sharp decrease in the Venezuelan states cut on oil sold to the United States (Ellner, 2008). This is mirrored by the stagnation of oil as a share of GDP
between 1948 and 1957, staying at around 30%, and a decrease in the share of government revenues from 60% to 52.8%, as seen in Table 2. It is also worth noting the sharp decrease in investment in the oil industry during the period, going from 37.1% of total to just 28.3%, and falling as low as 19.5% in 1954, also seen in Table 2.

### Table 2: Oil GDP, Government Revenue Share and Petroleum Sector Share of Total Investment 1936-1957

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil GDP Share</th>
<th>Oil Share of Government Revenue</th>
<th>Petroleum Sector Share of Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>24.9%</td>
<td>41.6%</td>
<td>42.8%</td>
</tr>
<tr>
<td>1939</td>
<td>26.7%</td>
<td>30.3%</td>
<td>31.2%</td>
</tr>
<tr>
<td>1940</td>
<td>22.9%</td>
<td>28.8%</td>
<td>20.2%</td>
</tr>
<tr>
<td>1941</td>
<td>28.2%</td>
<td>41.8%</td>
<td>22.9%</td>
</tr>
<tr>
<td>1942</td>
<td>20.4%</td>
<td>31.8%</td>
<td>21.5%</td>
</tr>
<tr>
<td>1943</td>
<td>23.4%</td>
<td>42.9%</td>
<td>32.6%</td>
</tr>
<tr>
<td>1944</td>
<td>28.2%</td>
<td>48.4%</td>
<td>33.0%</td>
</tr>
<tr>
<td>1945</td>
<td>30.5%</td>
<td>50.3%</td>
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</tr>
<tr>
<td>1946</td>
<td>31.9%</td>
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<td>37.8%</td>
</tr>
<tr>
<td>1947</td>
<td>31.4%</td>
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</tr>
<tr>
<td>1948</td>
<td>31.2%</td>
<td>60.0%</td>
<td>37.1%</td>
</tr>
<tr>
<td>1949</td>
<td>29.4%</td>
<td>58.9%</td>
<td>26.6%</td>
</tr>
<tr>
<td>1950</td>
<td>30.6%</td>
<td>32.2%</td>
<td>20.5%</td>
</tr>
<tr>
<td>1951</td>
<td>31.3%</td>
<td>41.2%</td>
<td>22.3%</td>
</tr>
<tr>
<td>1952</td>
<td>31.1%</td>
<td>44.5%</td>
<td>24.0%</td>
</tr>
<tr>
<td>1953</td>
<td>29.4%</td>
<td>44.4%</td>
<td>21.0%</td>
</tr>
<tr>
<td>1954</td>
<td>28.5%</td>
<td>37.7%</td>
<td>19.5%</td>
</tr>
<tr>
<td>1955</td>
<td>30.1%</td>
<td>38.8%</td>
<td>20.2%</td>
</tr>
<tr>
<td>1956</td>
<td>30.7%</td>
<td>50.2%</td>
<td>24.2%</td>
</tr>
<tr>
<td>1957</td>
<td>29.8%</td>
<td>52.8%</td>
<td>28.3%</td>
</tr>
</tbody>
</table>

1958 proved to be a tipping point for Venezuela. Partial discontent with Pérez Jimenez oil policies and more generally with the regime, led the opposition to successfully form a united front, where even the communists collaborated with the Social Christian Party (COPEI) on the grounds of their progressivism. The united pressure of the opposition between 1956 and 1958 finally led to the overthrow of Pérez Jimenez following mass protests which spurred military action. The officers who seized power provisionally elected Wolfgang Larrabázal. At this point the Puntofijo pact was signed between AD, COPEI and the Democratic Republican Union (URD), which excluded the PCV and established the framework for Venezuelan democracy in the next 30 years; a system which guaranteed respect for the winning party, but also formed what came to be in practice a two-party system, where AD and COPEI were the main contenders for office and for the oil revenues. With the pact, the exclusion of the communists came to have far reaching consequences down the line, with the radicalisation, or rather, change in strategy by the PCV, from conciliation to armed struggle, an issue that would plague Venezuela in the 1960s; a major contributor to the darker repressive undertones of the period. The pact also ultimately sealed the corporatist fate of the coming decades, where party members from both sides were represented on every level of society, acting beyond decision making in government, but also in forging ties to business, church and unions. The exclusion of the communist from this system, directly relating to oil and power arguably led to the very instability that plagued the stable times. (Alexander, 1969; Ellner, 2008)

The role and policies of each individual president could be covered, but considering their relatively stable and short terms, where elections relayed rule rather than coups, the general pattern proves far more interesting. There are three primary parts in this period as concerned to oil revenues and the development of the country. The first is the creation of OPEC and the pre-oil crisis period, the second encompassing the oil crises of the 1970s, and the last being the decline in the 1980s. Overall the period is, like most things in Venezuelan history, a point
of contention, where some present it as golden age, others such as Retsö (2010) view it as a period of façade democracy, with strong undertones of repression and corrupt oligarchic rule.

Whereas 1958-1974 saw the stabilisation of a new political system, based on interventionism, and a collection of bolder political moves such as the creation of OPEC in 1960, as well as the condemnation of the Vietnam War and the 1964 Brazilian coup (Ellner, 2008), the Venezuela that rose out of the steep oil price increases of the 1970s was one more emboldened. The oil industry was nationalised by not renewing the licenses of private companies, creating PDVESA in 1976; the revenues generated throughout the period, which increased significantly, from 8 million US dollars in total revenue from petroleum in 1972 to a high of over 80 million US dollars in 1981 (Salazar-Carillo, 1994), were invested in bold social programs, including a policy of ‘full employment’, and internationally a realignment closer to Moscow. The period also saw a centralisation of power around the presidency, overriding congress in many issues and for a brief time even ruling by decree due to fears of inflation (Ellner, 2008; Salazar-Carillo, 1994). Figure 1 demonstrates the record high oil prices and polity scores for Venezuela.

**Figure 1: Historical Oil Prices in US$ (2016) and Venezuelan Polity Scores 1861-2016**
This did not last forever though, as the elections of Herrera Campins and Lusinchi proved not only a break with the left leaning policies of the previous decade, but also with a decline in oil prices and a slow slide into the crises of the 1990s. Despite the large influx of foreign reserves in the 1970s, Venezuela accumulated a large foreign debt, which proved to be a heavy burden with the falling revenues of the 1980s. With the return of Pérez for a second term, a more neo-liberal fiscal policy was implemented along with promises of electoral reform. A heavy-handed implementation of these, especially with increased fuel and transportation prices led to mass protest and looting in 1989, whose crackdown by the armed forces led to the death of hundreds and potentially thousands in what became known as the Caracazo. If anything, this highly unstable period was a direct product of the high dependency on oil. (Ellner, 2008)

Here indeed, the resource curse makes itself apparent in the succumbing to price volatility given high dependence on a resource (Ross, 2012). In that sense, the volatility of oil prices could arguably be behind the volatility in the political climate of the country. The multitude of allegations of corruption throughout the period (Ellner, 2008), could also be traced to oil dependency. As mentioned, even the guerrilla war by the communists and the ensuing repressive measures taken by the state can be traced back to their exclusion from the Punto Fijo oil wealth sharing agreement. The conclusion for this particular period in Venezuela is that high oil prices do not necessarily result in failed democracy, only that the volatility of prices has a direct and dramatic impact on the political and economic climate, making it more unstable. The high dependence and the ensuing struggle for power and wealth also ultimately lead individuals and political movements, in this case the PCV to risk turning into violent methods when excluded from non-violent ones.

Further analysis is required to draw any conclusions however, with special interest in the recent Chávez period, which stood out for its international media coverage, positive and negative, as well as the rift in academic literature in regard to the direction and success of the regime. To understand Chávez however, the 1990’s need to be analysed as a period of its own; in essence an era plagued by conflict unseen since 1958, and the first appearance of Chávez as a political player in the 1992 abortive coup.

With the Caracazo in 1989, the stage was set for a turbulent decade and the end of the Punto Fijo era. By this time, the view of the state as an all-powerful problem-solving entity had been demolished (Åsedotter Strønen, 2017). Poverty continued to increase, and political tensions rise. Pérez was able to remain in power for another four years, until he found himself impeached in 1993 on charges of corruption related to currency exchange. The previous year had seen two failed coup attempts; one on the 4th of February, by the Movimiento Bolivariano Revolucionario 200 (MBR-200) spearheaded by Chávez, the corporal, a relatively unknown figure at the time, and another in November, both a product of the instability caused by the low oil prices and the large deficit. Chávez and his co-conspirators were imprisoned at the time but saw themselves released only two years later under the presidency of the re-elected Caldera, who was in opposition to Punto Fijo and sought renewal. (Ellner, 2008)

The election of both Pérez in 1989 and of Caldera in 1994 were interestingly enough on tickets of interventionism, which only after assuming office turned neo-liberal. Pérez, whose term in the 1970’s arguably had proved the most interventionist, suddenly turned into a privatizer, selling old state-owned industries such as the telephone company (CANTV). Caldera began his presidency with anti-neo-liberal policies, fixing exchange rates and at first taking control of large swathes of the banking sector following the banking crisis of 1994; this was short-lived however, as foreign capital was soon deregulated. The discontent must be understood not only in terms of the failures of the neo-liberal policies to address the increasing poverty, but also as implemented against the will of the majority. (Ellner, 2008)

Under Caldera’s second term, privatization also began reaching the oil industry. Opening up fields to foreign investment was on the table but was hard-pressed by congress. Eventually, it came through, but with terms limiting the ability of foreign investors to dispute claims on the international arena. This led to a break with OPEC, and sharp declines in oil prices in 1998, only further deepening the by now decade long crisis. (Ellner, 2008)

The rise of Chávez was at no point a given; as Eastwood (2011) notes, there were a variety of sectors from which revolutionary change could arise, both through military coups and through democratic means. The declining socio-economic conditions, caused by the earlier reliance on oil revenues did however spur the collapse of the previous paradigm, opening the breach onto which Chávez would see himself elected president. It was only following a decade of
disillusionment with the establishment and figures that at first proclaimed themselves anti-establishment to then turn pro-establishment that the election of a former leader of a coup attempt could take place; winning 56% of the vote in the December 1998 election (López-May & Lander, 2011). In many ways it is surprising that democracy prevailed in the period. Unlike the periods leading up to 1958, the connection between the resource curse and political instability is clear. The 1990’s, a decade with record low oil prices compared to the previous two decades, had a direct impact on the ability of the state to deliver expected living standards and growth, leading to the end of the fourth republic.

Chávez’s Good Timing (1999–2013)

The Chávez era is a topic of fierce debate, having only recently just ended, but whose party is still in power in a Venezuela which finds itself torn by inflation and economic crisis. The ultimate intentions of Chávez are also questioned, on the one hand being portrayed as a pioneer of a new democratic socialism for the 21st century and on the other as a dictator in the making, ambitions cut short by lack of time (Gamboa, 2016; Corrales, 2015; López-May & Lander, 2011; Hammond, 2011; Åsedotter Strønen, 2017). Whatever the intentions, the break from previous Venezuelan history represents an important period to analyse in the context of the resource curse, and which might provide definitive answers in regard to the Venezuelan experience. Ellner (2008) argues that his presidency can be divided into three stages; this is a useful approach in order to better understand the 14-year period and the changes that were undertaken under Chávez.

The first era was one focused on the redrafting of the constitution. Chavéz’s party at that point was even named 5th Republic Movement (MVR), with the ambition of rewriting the constitution and ending the 4th republic which had begun in after the fall of Pérez Jimenez and the ratification of the 1961 constitution. Chávez and the MVR won an overwhelming majority of the vote to the constitutional assembly, with the constitution being ratified by popular vote at the end of 1999 despite the efforts of the opposition. The new constitution, among other things, banned sales of state owned PDVESA stocks and aimed to make the country food sovereign, the latter being an issue that arguably is partially to blame for current food supply issues under Maduro. It was also the beginning of the experiment with participatory democracy, with regular elections and referendums (Wilpert, 2011). In this period, Chávez made no major radical moves or reforms, but rather refrained from turning on his anti-neo-
The second period encompasses a notable change in active legislation and intervention on the part of Chávez. It not only sees a dramatic drop in his approval ratings, but also the attempted coup of 2002. A package of 49 laws, rushed into law through emergency powers, which actively increased state intervention and put an end to the liberalisation and privatization efforts of the 1990s, including agricultural reform, a topic which in the Latin America tends to be met with military intervention, was met with intensified opposition and a decline in popularity even amongst the lowest income sectors of the population (Corrales, 2011). The opposition, having potentially lost faith in their ability to organise democratic opposition to Chávez, opted for a coup in April of 2002. The provisional government under Pedro Carmona failed to rally support from large sections of the army, where many generals and officers threatened with armed rebellion in favour of Chávez. The coup ended 2 days later, on April 13th with the release of Chávez. (Ellner, 2008)

Having failed with the coup, FEDEMERCAS, CTV and the opposition went out with a general strike targeted at the oil industry in December of 2002, which was supported by the higher echelons of the workers in the oil industry and effectively stopped production. Chávez counterattacked by appealing to nationalist and anti-elitist sentiments and replacing large swathes of the management. Oil prices had just begun rising to what would prove to be a new decade long high, which would come to benefit Chávez significantly. The return of oil revenue to the state, and its social welfare programs meant a second defeat in a short time for the opposition; who now found themselves hard pressed; leading to elections for the removal of Chávez in august of 2004, which was won by Chávez with a 59% majority. The opposition then attempted to discredit the election, despite international approval. 2001-2004 saw desperate reaction by opposition to the radicalisation of Chávez fail, and pave the way to the following 8 years of domination by Chávez. (Ellner, 2008; López-Maya & Lander, 2011)

The period leading up to the death of Chávez was one marked by high oil prices and record oil revenues for the Venezuelan state (Corrales, 2015; Hammond, 2011). In this background, the participatory democracy of Chávez and presented itself to the world as an example of a country which seemingly had escaped the resource curse and was on the way to a new economy (Hammond, 2011; López-Maya & Lander, 2011). The broad social welfare funded by the oil revenues were however made at the expense of diversification. The gradual
dismantling of the opposition can arguably be seen as a sign of the political consequences of the resource curse; the high oil prices enabling strengthening of the ruling regime. The only reason then that a similar situation did not develop in the 1970’s could be the Punto Fijo, which at least on the surface codified respect for the opposition.

With the death of Chávez in 2013, just before sharp falls in the price of oil, Chávez himself has remained and will remain a controversial figure precisely because of timing. The success of his policies and the superficially broadened participatory democracy, as well as the successive failure and dismantling of the opposition in Venezuela stand as a testament to high oil prices and revenues. By comparing oil prices during his presidency, the consolidation of Chávez power coincides with the rise of oil prices as seen in Figure 1. This holds true also for other periods, as is discussed further in the analysis.

**Return of Crisis: Maduro (2013–)**

Analysing the presidency of Nicolas Maduro from a historical perspective is difficult at this point. However, Maduro’s Venezuela is one of crisis and if already not an authoritarian regime, a clear example of a hybrid regime who at least on the surface uses elections to legitimise its rule, but in practice find no difficulty in enacting unconstitutional measures. The 1999 constitution centralised power on the president combined with a series of laws designed to weaken the opposition implemented over the years, including the ability for the state to clamp down on media channels, restrictions on demonstration, arguably already presented a case of democratic backsliding into a hybrid regime. This trend has however reached new heights under Maduro’s presidency, with increased repression of protests and abuse of emergency powers. (Corrales, 2015; Gamboa, 2016)

The election for the disputed 2017 constitutional assembly, though controversial due to abstention from the opposition has so far had no effect other than legitimising the government by inflating the apparent support; any proposed constitution from the assembly would still need to be ratified through referendum (American Society of International Law, 2018), and so without a deadline, the prospects of this coming to fruition in the near future seem distant at best. The listing of Venezuela as a national security threat to the United States in 2015 has arguably only spurred the slide into authoritarianism by Maduro, as the international ties to the democratic west are cut, and the façade of human rights and democracy no longer are a requirement (Ritter, 2015); a fact which has also given Caracas an antagonist to blame its
misfortunes on (Public Radio International: The World, 2015). The increased competition with the opposition has also arguably only increased the tendencies to opt out of legitimising the regime through democratic means if Venezuela is indeed a case of competitive authoritarianism.

Most importantly however, is the oil. As mentioned previously, Chávez escaped the oil price crash of 2014, which was more significant than that of the 1980s and at this point more long lasting than the short crash following the economic meltdown of 2008, as seen in Figure 1 and Figure 2. The sharp decline in oil revenues has meant that the foundations of power for the ruling PSUV has taken a hit. Food sovereignty has failed, price controls and controls on exchange rates under an exponentially weaker national currency has only aggravated the situation (Buxton, 2016), and thus the broad support enjoyed by Chávez has eroded under Maduro, which in turn has allowed the strengthening of the opposition (Corrales, 2015). The move towards authoritarianism is a product of the low oil prices and an already weakened democratic state, unable to keep basic checks and balances or punish unconstitutional actions.

**Figure 2: Inflation Adjusted Price Changes (%) of Oil Relative to Previous Year and Major Political Events 1900-2016**

![Inflation Adjusted Price Change (% of Oil per Year & Major Political Events in Venezuela 1900-2016](image)

Sources: (British Petroleum, 2018)

In the long term, the success or failure of Maduro in strengthening his hold on power will most likely not then depend on mere geographic or international factors, nor on the actions of
historical strongmen, but on the price of oil, and the volatile relationship between the ruling regime in Venezuela and its vast petroleum wealth.

Conclusion

Following such an extensive overview of the history of Venezuela, and with analyses spread out over time, it might be prudent to attempt to synthesize the finding into a digestible whole so that a conclusion can be made. Focusing on the question of the resource curse, and the hypothesis consisting of a clear connection between oil prices, or other valuable extractive industries, and the degree of regime stability, we lay our eyes primarily on the 20th century and onwards.

As discussed throughout this investigation, oil revenues in Venezuela have corelated quite strongly with international oil prices, as oil has come to account for the vast majority of its exports since the early 20th century. Political stability in the country can be said to have been far from exemplary throughout this same period. Yet, this instability seems to predate oil discoveries; and even during the early part of the 20th century, when oil already accounted for a majority of exports and a good chunk of state revenue, there is little pointing towards regime transitions being caused by the politics of oil up until the latter half of the century. For instance, the rise of the dictatorship of Pérez Jimenez was set in motion following threats of land reform, and not high oil prices in 1948 (Ellner, 2008; Kolb, 1974). Figure 1, combining both polity scores from 1861 to 2016 for Venezuelan regimes and oil prices adjusted for inflation during the same period; makes the lack of any evident pre-1950’s pattern quite clear.

The political effects of the resource curse cannot entirely be ignored however. The connection between oil and ensuing crisis and regime transition, particularly in the context of the 1980s and onward to the current crisis under Maduro is clear. Figure 2 provides an overview of % change by year in inflation adjusted oil prices, relative to the previous year, spanning 1900-2016 and has regime change and noteworthy events marked on the graph. Here the pattern seems somewhat clearer, as sharp drops in the price of oil seem to trigger political instability; but only from the 1970s and onward, Gómez’s rule for instance did not collapse following the great depression. The regime changes and coups of the pre-oil-boom period seem to have very little in common with the potential revenues at the time.
The 1960s raise questions, as the price of oil steadily dropped during the period, and the democratic regime stayed stable in Venezuela, as does the price increase of the late 1940s. However, these must be understood rather as long-term trends as opposed to sudden crashes or hikes. It is primarily the volatility which seems to cause instability in the political sphere; long term trends are something governments can predict and adapt towards. Furthermore, the revenues following the oil crises of the 1970s were on a completely new magnitude, providing during the late 1970s more state revenue than all of the revenues accumulated during the 20th century combined (Karl, 1997; Salazar-Carillo, 1994). This new level of spending and volatility on the way down definitely had a much larger impact on the establishment.

Convincing in theory, the 19th century still poses an interesting dilemma. Much of the apparent instability of the 20th century seems to be present before oil, but in a different context. There may on one hand be deeper long term institutional and structural issues which are being overlooked, and which provide a more all-encompassing explanation of the overall development of Venezuelan political history, such as the class conflicts proposed by Ellner (2008), or otherwise. The response however, is that oil has fundamentally changed the dynamics of power concentration, and the primary resource necessary to monopolize in attempting to subjugate the economy of Venezuela. Whereas this primary resource may have been land and agriculture before, and the size of the winning coalition may have stayed relatively stable, the individuals, families and their industry have not. But one should nonetheless not ignore the period and its implications for the general political climate of the country.

Reconnecting to the original theories of the resource curse, the supposed connection between extractive industries and degree of authoritarianism or kleptocracy as proposed by many (Ross, 2012; Bucheli & Aguilera, 2010; Badeeb, et al., 2017), and hence partially the stability of the system, at least in the long run, the evidence on Venezuela is rather mixed, at least in terms of high revenues generated from these industries. Corruption may have risen as oil prices rose, but the democratic nature of regimes was not dramatically altered as a result of increased revenues. Yes, the Punto Fijo pact was arguably a power sharing cartel deal, but this same corruption also oversaw the longest lasting democratic period in Venezuela since the 19th-century. The only common thread has been the ability of regimes to solidify their control using the increased revenues, such as in the case of Gómez and the Punto Fijo
paradigm, pointing towards the elites, or ruling parties acting with their political survival in mind rather than idealism. Particularly interesting is the Punto Fijo agreement, which by nature of creating a two-party system, where power was shared, prevented unilateral hegemony and potentially a resorting to authoritarian means as seen in Venezuela today.

Instead, as discussed, it seems to be the susceptibility to price volatility which sparks crises, and in the long run the inability or unwillingness to diversify. Volatility above all is then the factor behind the apparent instability in resource rich states. The inability to diversify becomes a question of political incentive again tracing back to political survival, where a diversification means increasing the winning coalition; a factor which the elites who have accumulated control over their fields and the economic field are unwilling to do unless absolutely necessary for their survival. In Venezuela, the dependency on oil has however not always been the driving force of the political machinery. Coups and transitions were not primarily set in motion by oil until the removal of Pérez Jimenez in 1958, and then more significantly following the massive revenue increases of the 1970s.

In regard to the prior research, there are indeed connections between their finding and those presented here. First, it seems that the case study of Nigeria conducted by Esu (2017), though focusing on economic development, applies to Venezuela, at least in terms of oil being a contributing factor to political instability. Houle’s (2018) argument in regard to oil dependency not contributing to initiating regime transition from authoritarianism to democracy, like Brooks & Kurtz (2016) argument for oil actually potentially being positive to democratic development is hard to ascertain in regard to this essay as it was not the focus or the question investigated, but yes, dependency increases susceptibility to volatility, decreasing long term stability in democracy. As to Bucheli & Aguilera’s (2010) insight into the mechanics behind the strengthening of regimes with the use of oil and the political survival thesis; this essay finds that this could indeed be the case, and that it also applies to the democratic periods, where oil revenues were used to increase support for the ruling regime, as seen in the Punto Fijo era and the centralisation of power.

In conclusion, the results point towards a connection between regime instability and oil in Venezuela, but only starting in the 1950’s. This connection is primarily in the form of sharp and unexpected price drops, which hamper the ability of the regimes to fulfil their promises and distribute the oil revenues to their ruling elite or winning coalition. The resulting change in material conditions for powerful individuals and interest groups, and society at large,
trigger risk-benefit assessments across these groups which may shift allegiance and support regime change. This phenomenon has reoccurred a number of times, most prominently during the breakdown of the Punto Fijo pact in the 1980’s and 1990’s, as well as more recently under Maduro. However, this view fails to clearly explain regime shifts prior to the oil-booms/crises of the 1970’s, as a number of changes or lack thereof seem to occur independently from oil revenues.

Yes, any regime significantly benefits from the increased revenue of high oil prices, increasing their ability to centralise power and benefit their respective winning coalitions; on the other end, as stated before, the reverse effect, especially sustained sharp decreases in oil price contribute to long term instability. Susceptibility to price volatility then is equal to political instability. Hence, the political instability experienced in pre-1970s Venezuela may differ from those following in that the contention for power may have centred around control of other resources, whereas the dependency of oil created during the Punto Fijo, may have strengthened the importance of oil revenue control for state power.

The original hypothesis, though rather cautious to begin with, has been partially confirmed. Indeed, oil has been a contributing factor under large parts of the 20th-century to the political instability of Venezuela. The disclaimer being that other explanatory factors extend beyond the pre-oil period all the way into the 1950s, prompting a serious necessity at a further look at arguments such as Gengler’s (2015) legitimation thesis.

Limitations and Further Research

The conclusions made for Venezuela, though useful, are not generalisable. A larger and more comprehensive study may provide greater quantitative detail as well as more in-depth analysis and narrative for each specific period. Future research should, as done here, provide a contextual foundation on which to understand the resource curse and the political development of a country. It should also focus its attention on attempting to understand pre-Punto Fijo instability and the role of oil and other extractive industries in this instability. Further, it should strive towards a more in-depth analysis of each particular historical period, breaking down any and all relevant policies, intrigues and data from the time so as to not risk potentially important but undiscussed developments. Finally, the ultimate goal should be to bring out the detailed and extensive depth of case studies into a comparative analysis, with the aim of discerning the common factors, whether it be particular institutions or policies; the
debate should strive to move beyond sifting out vague overarching explanations and rather focus on finding the specifics so that it may provide normative solutions for these issues faced by so many today.
References


