Caldera revives role of Venezuelan state

by David Ramonet

In the name of the Venezuelan government headed by President Rafael Caldera, on Sept. 12 Finance Minister Julio Sosa Rodríguez presented a Program of Economic Stabilization and Recovery (PERE). The most important aspect of the plan is that it revives the role of the state as a guiding force for economic development, something which has been unheard-of for the past 15 years. The International Monetary Fund (IMF) and the international banks have done everything possible to try to force Caldera to abandon this dirigist orientation.

The plan was announced in the context of President Caldera's recent visit to Brazil as the specially invited guest of President Itamar Franco. The Presidents consolidated what is, in effect, a "special relationship" between their nations.

In Brazil, Caldera promoted the idea of adding an Ibero-American seat to the U.N. Security Council, which would go to Brazil, and spoke of the great potential for integration projects in the region. It is precisely such an economic and political alliance for growth which could wreck the British geopolitical gameplan of free-market looting. It's no coincidence that British agent-of-influence Henry Kissinger has urged a postponement of the summit of Ibero-American heads of state with President Clinton in Miami, scheduled for December.

In the midst of the worst crisis ever to face the world financial system, the Brazilian-Venezuelan agreements hold an enormous potential for building a bridge toward a new economic order, distinct from that of the IMF. Perhaps President Caldera anticipated this when he declared that Venezuela and Brazil "could do many things in common, to the benefit of both countries and to the benefit of the entire continent and the whole of humanity."

Not surprisingly, certain financial circles have been whispering about the need to get Caldera out of office by December, or risk his actions becoming contagious.

Creating a harmony of interests

"The market by itself is no guarantee of economic stability nor of socially equitable growth," repeats the PERE plan several times; therefore, the state is required to provide regulatory guidelines that will guarantee social "harmony." In the case of Venezuela, if the state had not seized control over the financial system, including the establishment of exchange controls, the crisis caused by the criminal behavior of the "market" would have brought about the country's disintegration. It was the "market" that led to the bankruptcy of fully one-half of Venezuela's banking system, and the government had to take over three of the country's five largest banks and intervene into eight more.

The Caldera plan has as a top priority an immediate clampdown on the financial crisis, while at the same time reactivating the productive sectors of the economy which generate the most jobs (agriculture, construction, small and medium industry). Unemployment has already reached 11% of the work force, which in Venezuela is quite serious, since at least 40% of those considered "employed" actually work in the "informal economy."

To begin with, the plan will replace the onerous zero-coupon bonds which the Venezuelan central bank issues as a means of exercising control over money in circulation, with long-term government bonds, Treasury letters, and dollar-denominated bonds (the latter of doubtful viability). This will allow the state greater and more direct control of financial and monetary policy, leading to a greater reduction of interest rates. This control will, in turn, allow the government to restructure the agricultural sector's debt, and that of small and medium-sized industry. It is hoped that this will guarantee the winter 1994 and spring 1995 harvests, as well as reactivate some 1,600 middle-sized companies in the short term.

The plan proposes to contain inflation at 65% this year, and under 25% next year. To achieve these goals, it makes several major concessions to liberal orthodoxy, promising austerity in public expenditure that will be difficult to carry out. Nonetheless, it postponed the increase in domestic gasoline prices demanded by the IMF until a plan for direct subsidies to students, truckers, and low-income workers is firmly established.

In the medium and long term, the plan proposes to use all mechanisms at the government's disposal, within the framework of already-established trade treaties, to protect domestic production, while encouraging private investment in hydrocarbons, mining, metallurgy, and forestry, which had previously been under exclusive state control. At the same time, the state will stimulate this process through state-owned companies such as Petroven (Petróleos de Venezuela SA) and other basic strategic industries, providing a technological orientation that can develop Venezuela's industrial base without developing a dependency on technological input from abroad.

The most promising long-term project was announced by President Caldera himself, while in Brazil: "An old idea is being reactivated, which is the possibility of making waterway navigation between the Orinoco and Amazonas rivers feasible. The idea of joining the Orinoco, Amazonas, Paraná, and Plata rivers is one of the greatest ideas for the future of Latin America, and is clearly no longer a chimera, but something toward which we can now take concrete steps."