

Venezuela: The Rise and Fall of Partyarchy

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Venezuela, once the most governable democracy in Latin America, is now a very fragile one. This chapter describes the formula that made Venezuela governable in the 1970s, traces that formula's emergence in the 1960s, and explains why it broke down in the 1980s, leaving the democratic regime in danger in the 1990s. This historical perspective is necessary for anyone seeking to understand the prospects for democratic governability in the Caldera government, for it will be expected to provide an alternative to the old formula but will also be judged by comparison with the old formula's achievements. If Caldera's democratic alternative is judged a failure, many Venezuelans will be inclined to give the nondemocratic alternative a second look.

The historical perspective is also useful for generating several lessons for other Latin American democracies. First, because Venezuela's formula worked well for a while, it helps identify the elements of democratic governability. Second, the crisis of governability yields insights into the strengths and weaknesses of one formula that is often held up as a model for other countries. Finally, only the long-term view can provide an appreciation of the challenges faced by any formula in a dynamic social and economic context. Even successful formulas for governability must adapt to survive. The guardians of Venezuela's formula adapted too little at first, but perhaps not too late.

Elements of Democratic Governability

Governability is best understood by analyzing the relationships among strategic actors, that is, organized interests with sufficient control of some power resource—factors of production, mass membership, public office, armed force, moral authority, or ideas and information—to disturb public order or economic development.¹ Whether they actually cause disturbances, merely threaten to do so, or take advantage of an implicit understanding of their potential for disturbance, they are the only actors whose behavior is relevant for governability. In Latin American democratic regimes there are generally three kinds of strategic ac-

tors. Some are state actors, specifically the military (and police), the permanent bureaucracy, and the government (those temporarily holding public office and providing direction to the state). Some are social actors: the church, private sector associations, labor unions, the media, organized peasants, indigenous movements, even guerrillas and terrorists. Finally, political parties are usually strategic actors as well, not acting exclusively in the state or society, but attempting to mediate between them by contesting elections, staffing the government, and representing civil society in the legislature.

Governability is the degree to which relations among these strategic actors obey formulas that are stable and mutually acceptable. Some formulas are formalized in law, such as constitutions, labor codes, or provisions for tripartite representation on the boards of state enterprises. Many other formulas are informal, such as coalitions, party pacts, or the tendency of policymakers to consult with private sector associations. When the formulas are stable and mutually acceptable, violence is minimized, conflicts are resolved peacefully, actors "play by the rules of the game," and interactions build trust. In short, governability reigns. When the formulas that govern relations among strategic actors are not stable and mutually acceptable, manifestations of ungovernability occur as some actors reject old formulas, try to impose new ones, or withhold consent from any formula while they build up their own power or attempt to undermine the power of other actors. Examples of such manifestations range from cabinet crises, stalemate, and electoral fraud to violent protest, terrorism, and military coups.

Venezuela's Formula: Partyarchy

Venezuela practiced a formula for governability that worked exceptionally well in the 1970s. It was a formula that gave a central role to the two largest political parties, the social democratic Acción Democrática (AD) and the Christian democratic COPEI (Comité de Organización Política Electoral Independiente). Many Venezuelans came to call this formula *partidocracia* (from *partido* and *democracia*), which I translate as "partyarchy."² The guardians of the formula, so to speak, were the leading *adecos* and *copeyanos*, whom some Venezuelans called the "status" *adecopeyano* and I will call the Adecopeyano establishment, or simply the establishment.

The terms of the partyarchy formula were as follows:

1. *Inclusive representation.* AD and COPEI represented almost all groups in society. The card-carrying membership of these two parties was larger (up to 31% of total voters) than party membership in any other democratic country in the world, with the possible exceptions of Costa Rica and Chile. Because most nonmembers were at least sympa-

thizers, these two parties also shared about 80 percent of the legislative vote and 90 percent of the presidential vote from 1973 to 1988, even though dozens of other parties appeared on the ballot. Party organization was extensive: every small town in Venezuela had a party headquarters for AD and COPEI. Moreover, the leadership of practically all organizations of civil society (other than the church and private sector associations) was chosen in elections using slates identified with AD and COPEI. About 80 percent of the peasant federations and at least 60 percent of the labor unions were controlled by leaders affiliated with AD.

2. *Electoral competition.* Citizens and social actors not affiliated with the Adecopeyano establishment at least recognized elections, whose fairness was a source of pride, as the legitimate mechanism for deciding who would occupy public office. Election campaigns were civic festivals lasting nearly a year, mobilizing millions in canvassing, parades, car caravans, and open-air mass meetings, always flooded with campaign paraphernalia. Abstention never exceeded 12.4 percent before 1988.

3. *Party discipline.* AD and COPEI practiced iron discipline: militants at all levels of the party organization risked expulsion if they disobeyed decisions made by the small inner circle of leaders, or *cogollo*, at the head of each party. The Leninist principle of democratic centralism was even explicitly endorsed by AD party statutes. Consequently, senators and deputies, state legislators, and municipal council members strayed from the party line so infrequently that congressional leaders did not even bother to tally or record votes; only the relative sizes of the parties mattered. Labor leaders usually refrained from holding strikes when their party was in power, and the politicized officers of professional associations, student governments, peasant federations, state enterprises, foundations, and most other organizations used their positions to further their party's interests. The two parties therefore acted as powerful and readily mobilized blocs.

4. *Concertación (consensus-seeking).* The leaders of AD and COPEI made a habit of consulting one another, and usually leaders of other parties and social organizations as well, whenever controversial issues arose.³ Policies concerning defense, foreign affairs, and the oil industry were usually made by consensus, and even when consensus proved impossible, the attempt to reach it mollified the opposition. Party leaders were openly committed to the principle that no conflict could be allowed to escalate to the point of threatening the democratic regime. Although conflicts did occur, the leadership always stepped back from the brink in time to save the regime.⁴

5. *Wider relations.* The parties also hammered out good working relations with other strategic actors—the military and the private sector.⁵ In exchange for noninterference in political questions, AD and COPEI

governments rewarded the armed forces with high salaries, ambitious educational programs, frequent promotions, and expensive equipment. The private sector associations FEDECAMARAS (Federation of Chambers of Commerce and Industry), CONSECOMERCIO (Commercial Council), and CONINDUSTRIA (Confederation of Industry), while often critical of government policies, also became dependent on high subsidies, low taxes, and protectionist tariffs. These associations were often included in the *concertación* process, and it was understood that the finance minister would be designated in consultation with one or more of the huge holding companies owned by the wealthiest families.

Governability was therefore ensured by the Adecopeyano establishment which, because it controlled large, popular, and tightly disciplined parties with influence over most other organizations, had the authority to bargain with other parties and other strategic actors and the power to enforce the deals that it made.

The Rise and Decline of Partyarchy

The formula just described was typical of the 1970s in Venezuela but existed only in a much weakened form by 1990. While the leaders of the democratic transition in 1958 benefited greatly from many aspects of their emerging partyarchy, the formula did not become fully consolidated until about 1970. Therefore, the 1970s represent a peak in the rising and declining life cycle of Venezuelan partyarchy.

Challenges and Consolidation in the 1960s

Acción Democrática had been a large, broad-based, and tightly disciplined party since its founding in 1941, but the other elements of partyarchy were missing before 1958.⁶ Only two fair, full-suffrage national elections had been held before that year, and they were in 1946 and 1948, long since interrupted by the military dictatorship of Marcos Pérez Jiménez. COPEI had come into existence during the 1945–48 Trienio but was not a likely partner for *concertación* with AD; indeed, the Copeyanos and the church hierarchy had supported the coup that ended the first AD government in 1948.⁷ The military had been persecuting AD for the last decade, and some business leaders were wary of a return to AD rule because of its left-of-center orientation. When Pérez Jiménez was overthrown in an internal coup, negotiations among AD, COPEI, Unión Republicana Democrática, (URD, Democratic Republican Union), and a business leader culminated in the 1958 Pact of Punto Fijo, which first put the other elements of partyarchy in place. Under the leadership of Rómulo Betancourt and Rafael Caldera, AD and COPEI formed a united front to demand elections, thus beginning a long tradition of *concertación*. Relying on its party discipline, AD promised labor

pervasive clientelism, imbedded injustice, massive corruption, flagrant impunity, and reserved domains beyond the authority of government or the rule of law. Throughout much of the region, the frustrations in advancing effective democratic governance have at times shaken Latin Americans' confidence in and commitment to democracy itself.

In most nations, effective democratic governance is still incipient, inchoate, fragile, highly uneven, incomplete, and often contradicted. Democratic governance in Latin America needs to be nurtured, constructed, and reinforced, bit by bit and country by country. In their assessment of Latin America's progress toward democracy, these essays underline that a great deal remains to be accomplished.

How hard it is to build effective and enduring democratic governance is highlighted by considering the United States, the hemisphere's most established democracy. Effective democratic governance in the United States has been deteriorating in recent years with the marked decline in public respect for parties and virtually all other political institutions; the deep rejection of professional politicians and incumbents; the decline of interconnectedness among citizens in the communities where they live; growing struggle over identity, culture, and values that cannot be resolved by compromises over "more or less"; consistently high levels of violent crime; the privatization of security and the use of deadly force; and an erosion of confidence in law, courts, and access to equal justice. Any inclination to think that democracy in the western hemisphere is close to being consolidated must be challenged throughout the Americas, North and South.

This is not the place for extended comments on what can be done to strengthen the prospects of constructing democratic governance.¹ But one strong implication of these essays is that we should rethink the sharply dichotomous categorization of "democracies" and "non-democracies." The tendency to think about democracy in "on-off" terms focuses too much international policy attention on holding and monitoring elections and on preventing or reversing coups. Elections and attempted coups are clearly defined moments of decision, and the steady reinforcement of international norms in favor of free elections and against coups has certainly been important in making democratic governance possible.

But effective democratic governance depends fundamentally on the quotidian building, exercise, and maintenance of democratic political

1. We have dealt with this issue in an Inter-American Dialogue Policy Brief, *The Challenges of Democratic Governance in Latin America and the Caribbean: Sounding the Alarm*, and the Dialogue has recently published an entire volume on international efforts to promote Latin American democracy: Tom Farer, ed., *Beyond Sovereignty: Collectively Defending Democracy in the Americas* (Baltimore: Johns Hopkins University Press, 1996).

The Emergence of New Challenges in the 1980s

Over the next decade, however, Venezuela's partyarchy developed pathological tendencies: a loss of direction, corruption, and obsession with control. It was as though new terms had been added to the formula for governability, too shameful to acknowledge, but nevertheless very real.

Loss of Direction. In the twenty years following the Pact of Punto Fijo, AD and COPEI governments had accomplished most of the policy goals their parties had discussed in the early 1960s: land reform, nationalization of the oil industry, expansion of public education, job creation, and the consolidation of democracy. If debate over policy had continued within or among the parties during those two decades, they would have set new goals for themselves, but such was not the case: AD's *Tesis Política* has not been updated since 1964. Party discipline stifled the expression of controversial ideas within each party, and *concertación* filtered the controversy out of interparty debate.

With the threat of expulsion, made credible by a series of party splits in the 1960s, and therefore the end of one's political career hanging over every militant's head, few party leaders were willing to suggest new ideas that might turn out to be controversial. The most daring leaders had already been expelled; those remaining in the party were the ones who had learned to keep quiet and wait for the national leadership to tell them what to think.

Furthermore, AD and COPEI both drifted toward the center, and the more similar they became, the fewer questions of substance they found to debate. Presidential campaigns relied more and more on personal attacks, mudslinging, and nice-sounding but meaningless slogans. It became hard for voters to support parties as a means to some honorable end; increasingly, they came to be seen as ends in themselves.

Corruption. Venezuela had never been entirely free of corruption, not even during the early years of the democratic regime when the government was prosecuting the former dictator for corruption. But two developments caused an increase in corruption in the late 1970s—the oil bonanza and partyarchy. As Terry Karl has reported, oil revenues earned during the Pérez government (1974–79) were 54 percent greater, in real terms, than those received by all previous Venezuelan governments since 1917 combined.¹² In this incredible deluge of wealth, it was inevitable that some public officials would divert part of the flow into their own pockets and that financial accountability would grow lax.

What is harder to understand is why corrupt practices continued to flourish even after the country went deeply into debt and oil prices fell, plunging the country into economic crisis. The continuation of corrup-

tion required a climate of impunity, which was a by-product of partyarchy. The courts, like the bureaucracy, the universities, and most other institutions, were thoroughly politicized along party lines and seemed never to find sufficient evidence to justify a trial or a conviction. There had to have been complicity between AD and COPEI as well, because they behaved as though there were a secret clause of the Pact of Punto Fijo prohibiting prosecution for corruption. The practice of *concepción*, intended to moderate political conflict, served equally well to conceal abuses of power by the Adecopeyano establishment. The practitioners of impunity no doubt rationalized their actions on the grounds that full disclosure of the magnitude of corruption would endanger the democratic regime; in retrospect, ironically, they appear to have been correct.

Obsession with Control. In the hands of increasingly unprincipled party militants, the party founders' dedication to the moderation of conflict was transmogrified into an obsession with controlling other actors in civil society. Governments by and large respected the freedom of organization; but to the parties, the founding of any new independent organization was a call to arms. Efforts would be made to co-opt its leadership. If this tactic was successful, the organization would be subject to party discipline. If unsuccessful, party activists would sometimes secretly infiltrate the organization, win control of it, and then hand it over to their party. If all else failed, they would create a parallel organization with the same mission and outcompete the independent organization with the assistance of fellow partisans in the local government, eventually causing the independents to fail. This tactic was employed so commonly that the word *paralelismo* gained currency to describe it.

At first the parties were successful in preserving their control, but here and there independent organizations gained a foothold—unions in the state of Bolívar, some neighborhood associations in the cities, and in the late 1980s, human rights and ecology nongovernmental organizations (NGOs).¹³ Such social movements should have been welcomed because they represented a strengthening of civil society and posed no more threat to governability than Christian base communities did in Brazil, or peasant *coordinadoras* in Mexico, or the mothers of the Plaza de Mayo in Argentina. But rather than welcoming and encouraging this newly flourishing civil society and opening the system to more genuine participation, the parties treated independent groups as threats to party control. An opportunity to deepen Venezuelan democracy was thus lost, and the independent organizations responded by linking their aims to an antiparty, anti-establishment agenda.

During the 1980s the new challenges to partyarchy gained enough strength to harm governability. The economic decline of 1979–90 acted

as a catalyst for the opposition to the establishment.¹⁴ When the debt crisis hit in 1983 and when oil prices fell, particularly after 1985, the parties' capacity to control civil society diminished. Fewer resources were available for patronage or for simply meeting the state's routine obligations; public services declined, and infrastructure was allowed to deteriorate. The parties lost some of their ability to fulfill their promises, to co-opt new organizations—particularly the neighborhood associations that sprang up to clamor for better public services—and to provide government jobs for friends and (former) enemies.¹⁵ As living standards declined, disenchantment grew, made bitter by the knowledge that the country had seen tremendous wealth and let it slip away. For most of the decade, however, most Venezuelans were willing to channel their discontent into the electoral process just as they had for years, driving the alternation of AD and COPEI in power.

Two developments during the second Pérez government (1989–93) transformed the anti-incumbent anger into an anti-establishment anger. First, the economic policies of the Pérez government were powerfully disillusioning. Many people voted for Pérez in 1988 hoping that he would somehow return Venezuela to the boom it had enjoyed during his first government, and Pérez' campaign did little to discourage that hope. For example, a poll taken in January 1989, just before the inauguration, showed that 45 percent of Venezuelans believed that their own situation would be better by the end of the Pérez government, and the president-elect's approval rating was 79 percent favorable.¹⁶

One of Pérez' first acts as president, however, was to announce a drastic *paquete* of structural adjustment measures, including many price increases, with insufficient explanation of their necessity. The day they took effect, the widespread feeling of betrayal and desperation exploded in the three days of looting and riots known as the *Caracazo*. People had pinned their hopes on an election and a change of government, and it seemed only to make things worse. In the short term, that was true: 1989 gave Venezuela its worst economic performance since the Depression, with an 8.3 percent drop in production and inflation topping 80 percent. By May 1992, between the two coup attempts, only 28 percent believed their situation would improve by the end of the Pérez government, and the president's approval rating had plunged to 69 percent unfavorable.¹⁷

In the long run, these policies were responsible for a dramatic economic recovery beginning in 1991, but before that could happen a second development turned the popular anger against the entire political class. In 1989–90 the increasingly independent press gave constant, high-profile coverage to corrupt activities that had taken place during the previous administration. There were frequent revelations about how the foreign exchange agency RECADI had been used to manufacture illegal profits for politicians and businessmen with connections to

former president Jaime Lusinchi (1984–89) and his secretary and mistress, Bianca Ibáñez (whom he later married). When Venezuelans, in the depths of economic crisis, were bombarded with reports of millions of dollars being spirited away, they drew the understandable (though certainly exaggerated) conclusion that they were suffering because the politicians had stolen their country's riches.¹⁸

For example, when a 1984 poll asked Venezuelans what factor contributed most to the country's large foreign debt, the top two responses were "bad administration of the nation's funds" (36%) and "administrative corruption" (33%). Similarly, in response to a 1985 question about the causes of the economic crisis, 86 percent assigned "much responsibility" to corruption, as did 74 percent to "bad administration of national resources" and 50 percent to the "decline of moral values."¹⁹

Despite the continuing scandalmongering, only one minor character in the scandal was punished. This synthesis of the anger over the economy and the anger about corruption was more potent than either issue taken separately. It was made even more galling by the fact that now the government was asking everyone to sacrifice to help pay for these crimes. This time they directed their anger at both parties because COPEI, led by Eduardo Fernández, supported Pérez' economic policies. (Pérez pursued his policies despite muffled protests from the dominant faction of his own party, AD, but AD was blamed for his policies anyway.) In this way the Adecopeyano establishment came to be blamed for the corruption, the impunity, and the economic crisis itself.

The Search for a Viable Alternative

Initially some of this anger was turned against democracy itself. After all, it was hard to tell where the establishment ended and democracy began; they were born at the same time and grew up together, and the establishment liked to equate *itself* with democracy. This helps explain why the leaders of the coup attempt of February 1992 enjoyed such popularity: the loss of this particular "democratic" regime struck 26–32 percent of the population as a small price to pay to get rid of a hated president.²⁰ But the second coup attempt, in November 1992, was a turning point in the definition of an alternative to partyarchy. Its visible spokesmen were not the clean-cut, articulate, and patriotic young officers from February, but scruffy and incoherent revolutionaries. The idea of being governed by them scared away much of the support for a coup and gave new urgency to the search for a democratic alternative.

That alternative was defined in two stages over the next fifteen months. The first stage was the impeachment of Pérez in May 1993 and the selection of an interim president, Ramón J. Velásquez. As befitted a transitional figure, Velásquez was neither a party militant nor an anti-

establishment figure. (He was one of Venezuela's many "independents" who never actually joined a party but were known to sympathize with one; in his case, AD, because of a close friendship with Betancourt.) Governability actually improved during the interim government, because a tax reform, a new banking law, and other urgent bills that had been put on the back burner until the impeachment vote were passed quickly with the support of AD and COPEI, knowing that the independent president would be held responsible more than either party.²¹

The second stage was the process leading up to the general elections of December 5, 1993. For their part, AD and COPEI tried to define the alternative to the establishment as a renovated AD-COPEI establishment. An electoral reform passed in 1988 had instituted direct elections for mayors and governors, and state elections in 1989 and 1992 had begun a turnover in and revitalization of the party leadership at the state and local levels.²² A new generation of Adecos and Copeyanos, as well as MASistas and a few leaders of the Causa R, a new-unionist movement, were building a base of genuine support at these levels and challenging the dominance of the *cogollos* in their parties. The renovation of the parties took a startling leap forward when two members of this generation unexpectedly won the presidential nominations of AD and COPEI. In AD the nominee was Claudio Fermín, a former mayor of Caracas; and in COPEI, Governor Oswaldo Alvarez Paz of Zulia came from behind in the party's first open primary to defeat Eduardo Fernández and other prominent national leaders. Because they were officially nominees of AD and COPEI, however, and both identified with the economic policies of the Pérez administration, they were at a disadvantage against the leading candidate, Rafael Caldera.

As the founder of COPEI, a signer of the Pact of Punto Fijo, a former president, and a key participant in all of the *concertación* of the previous thirty-five years, Caldera would seem a most unlikely beneficiary of the anti-establishment sentiment, but he was. Two actions made his political image makeover possible. First was an electrifying speech he made in the Senate following the February 1992 coup attempt. In that speech, broadcast live throughout the nation, he stopped short of endorsing the coup attempt but expressed the popular frustration with Pérez, his policies, and unresponsive politicians so movingly that he was instantly acknowledged as the principal spokesman for the opposition. His second act was to bolt his own party in early 1993 to run for president as an independent candidate with the backing of MAS, a personalistic vehicle called *Convergencia Nacional* (National Convergence) and sixteen other small parties. This was the most dramatic break with the establishment possible, not simply because he abandoned (and was expelled by) the party he founded, but because such defections had become unthinkable in Venezuela. Caldera won the election with 30.45 percent of the vote, to 24 percent for Fermín,

23 percent for Alvarez Paz, and 22 percent for Causa R founder Andrés Velásquez.

The First Two Years of the Caldera Government

The beginning of the Caldera government was a critical moment for democratic governability in Venezuela: the Adecopeyano establishment had, for the first time in thirty-five years, lost power, and an anti-establishment figure was searching for a new formula for governing. His search was bound to be frustrating because of: (1) his weak base of support, (2) the potential strength of the opposition, (3) declining confidence in elections, (4) conflict with governors, (5) a wary and divided military, (6) difficult relations with organized labor, and (7) an uneasy private sector. Venezuela is far less governable during the Caldera government than it was in the 1970s. It has not, however, reached some theoretical extreme of ungovernability; it has merely lost all the advantages that used to distinguish it from its neighbors. To put the situation in perspective, Venezuela has become "Latin Americanized." Some comparisons with aspects of governance in other Latin American countries are helpful for assessing Venezuela's prospects.

Base of Support

With 30 percent of the vote in 1993, Caldera did not have much of a mandate to govern. (Indeed, after factoring in the 43.8% abstention rate, he was elected with the support of only 17% of the registered voters.) His initial governing coalition was composed of the leftist MAS plus the *Convergencia Nacional* and minor parties, which together controlled barely a quarter of the seats in Congress. To make matters worse, the coalition was a patchwork of sixteen tiny parties ranging from the far Left to the far Right, fleshed out by a few disaffected Adecos and Copeyanos. In his effort to distance himself from AD and COPEI and the technocratic "IESA Boys"²³ of the Pérez government, Caldera passed over both known politicians and the policy elite, leaving himself with a cabinet dominated by second-string technocrats.

While AD and COPEI were harshly punished at the polls, they still controlled a majority of the seats in Congress (see Table 1). Simple arithmetic makes it clear that Caldera could not create a legislative majority without either AD or COPEI. Conflict between the old establishment-dominated Congress and the anti-establishment president was not long in coming: in June 1994 Caldera suspended constitutional guarantees of certain civil liberties, ostensibly to deal with a banking crisis and those responsible for it. (However, the government also took advantage of the situation to crack down on street crime, suspected insurrection plotters, and annoying journalists.) When Congress balked at ratifying the emergency powers, Caldera bullied it into acquiescence

Table 1 Venezuela: Seats in Congress by Party, 1993

	Chamber of Deputies		Senate	
	N	%	N	%
AD	56	27.9	18	34.6
COPEI	54	26.9	15	28.8
Causa R	40	19.9	10	19.2
MAS and Convergencia Nacional	51	25.4	9	17.3
Total	201	100.0	52	100.0

Source: NotiSur, February 4, 1994.

by threatening to convene a constituent assembly with the authority to dissolve Congress. The president then held civil liberties hostage until July 1995, when Congress finally approved a financial emergency management law giving the president a freer hand in setting economic policy.

In the meantime, executive-legislative relations were smoothed out by an unexpected coalition. In August 1994 an "orthodox" faction led by Luis Alfaro Ucero gained control of AD and removed almost all of the younger, reformist, neoliberal leaders from the National Executive Committee. This was the most visible manifestation of a top-to-bottom purge of AD that restored party unity and left it more closely aligned with Caldera's skeptical approach to economic policy. Without formally becoming a coalition partner, AD supported most of Caldera's initiatives in Congress, making it possible for several major pieces of legislation to pass. As the December 1995 gubernatorial and mayoral elections approached, however, with growth stagnant, inflation still over 50 percent, and Caldera's approval rating dipping below 40 percent, AD ended its cooperation and the tiny parties of the coalition one by one began to distance themselves from the government, leaving it ever more isolated.

Caldera's coalition alternatives were practically nonexistent. COPEI, despite lingering rank-and-file devotion to Caldera, was led after December 1994 principally by General Secretary Donald Ramírez (an ally of former president Luis Herrera Campíns), who was an opponent of reconciliation with his party's founder. To Ramírez, Caldera betrayed the party he founded by running as an independent candidate in 1993; to Caldera, the leaders of COPEI betrayed him personally by not supporting his candidacy. The only other significant party was the Causa R, which followed an obstructionist line in Congress, routinely abstaining on and voting against government bills, and sometimes breaking quorum and boycotting sessions. There were, therefore, no other realistic coalition possibilities.

There were two ways to govern without a formal presidential coalition. First, Caldera could try to assemble ad hoc majorities for specific legislative initiatives, appealing directly to the people to pressure the Congress. This strategy did not serve him well during his first administration, when he also refused to form a coalition despite having won the presidency with 29 percent of the vote, and was stalemated by the Congress during 70 percent of his time in office.²⁴ This strategy could work only if he were a very popular president like Fujimori, so it ceased to be a viable option by mid-1995. If Caldera were to boost his popularity by, for example, taking some dramatic action against corruption, his relations with Congress would be easier for a while. But until that happened, the fates of less popular presidents with similarly narrow bases of support—Belaúnde (first term), Febres Cordero, Velasco Ibarra, Sarney, Collor, Illia, Allende—presaged either stalemate or a *pugna de poderes* (power struggle) with the Congress.²⁵ Caldera early on expressed a desire to amend the constitution to obtain the power to dissolve Congress. The Congress was hardly likely to place such a powerful weapon in his hands, and the prospect that Caldera might attempt to seize it for himself inspired speculation about a possible *Calderazo* (presidential coup led by Caldera).

The second way to govern without a presidential coalition was to form an opposition coalition in the Congress, most likely composed of the two former establishment parties. The last time AD and COPEI were both in the opposition was 1957, and they signed a pact to oppose military rule. This time a pact could lead to an opposition majority and stalemate. There are precedents for such opposition majority coalitions in both Venezuela—where the AD-led coalition legislated over Caldera's head during his first government—and Peru, where APRA (American Popular Revolutionary Alliance) and Odría's UNO (Odríist National Union) cooperated to stalemate Belaúnde from 1963 to 1968. There remained, then, two ways to avoid executive-legislative stalemate, but both carried the risk of escalating confrontation and constitutional crisis.

Confidence in Elections

Despite electoral reforms, elections lost some of their legitimacy as the sole path to power during the 1980s. Abstention was triple what it was fifteen years before, despite mandatory voting, and charges of electoral fraud were increasingly common. While the numerous upsets and the fragmentation of the vote among several parties indicated that elections were fair, many Venezuelans came to suspect that the largest parties routinely divided among themselves any votes cast for parties that were not represented at the voting station.²⁶ López Maya documents unsuccessful attempts by AD to steal gubernatorial elections from the Causa R.²⁷ Two of the gubernatorial elections of 1992 had to be held

again in 1993 to resolve questions about their fairness, and both Caldera and Andrés Velásquez claimed that AD, COPEI, and the military conspired to deprive them of hundreds of thousands of votes in the last presidential election.²⁸ Whether these claims were true or not, they were a symptom of declining governability. Nevertheless, the issue did not become as heated as it has been in Nicaragua, El Salvador, Honduras, Paraguay, or other less consolidated democracies. Democratic regimes such as Chile and Colombia have survived for many years despite occasional disputes over election results, so this issue alone would not place Venezuelan democracy in any immediate danger.

Conflict with Governors

Venezuela's twenty-two elected state governors were in a position to make trouble for the national government because they were politicians with a base of support independent of both president and party. Conflicts with Pérez were frequent because governors were directly elected for the first time in 1989 and the division of powers between federal and state governments was still murky. Procedures for resolving disputes had to be improvised for each issue that arose. Conflicts intensified during the Caldera administration because the most effective governors, the ones reelected in 1992, became lame ducks as the 1995 gubernatorial elections approached, with the potential to challenge Caldera's authority by launching presidential candidacies. Their potential for disruption should not be exaggerated, however, because their resources were quite limited, and because independent governors do not seem to cause serious problems of governance in the other federal presidential democracies of the hemisphere, Argentina, Brazil, and the United States.

Relations with the Military

Caldera was perhaps the best candidate to mollify the rebellious junior officers: on the second anniversary of the February 4, 1992, coup attempt, he promised to free the seventy rebel officers still in prison in Venezuela and to invite back the fifty-two still in exile in Peru and Ecuador. Such acts, however, only exacerbated the tensions within the military between the junior officers and the high command, which had already virtually severed the chain of command at bases throughout the country. Caldera asserted his authority by dismissing the defense minister and service chiefs ahead of schedule as soon as he took office, but this act created further resentment toward the new president and new divisions in the military. Some officers were also antagonized by Caldera's accusations of military involvement in vote fraud, and were apprehensive about his ability to govern for the next five years. Upon resigning, outgoing defense minister Radamés Muñoz León said:

This situation has infuriated me. This cannot be the reward we receive for the democratic struggle we have waged within the Armed Forces. I am crying inside over my people because I do not know what will happen to the country with a precarious government that was elected by scarcely 8 percent of the population, or 16 percent of the potential voters, and whose first act was to strike an institution that is at the service of the fatherland and not of political parties, personalities, or economic or political interests.²⁹

The divisions in the armed forces did not appear to be as deep as those typically found in the Bolivian, Argentine, or Peruvian militaries, but they were deep enough to warrant concern about future coup attempts like those of 1992 should Caldera find himself as isolated and unpopular as Pérez was.

Relations with Organized Labor

Caldera was destined to have an acrimonious relationship with Venezuela's unions. On the one hand, he promised them much, both as the candidate with the populist image and as the author of the labor law, which was reviled by the private sector for being too generous to workers. But on the other hand, Venezuela's fiscal deficit made it impossible for the state to provide workers many of the benefits to which the labor law entitled them. (A telling indicator: oil revenues, which used to cover 70% of public expenditures, covered only 40% in 1994.) And should the unions become disappointed and angry, Caldera would have no way to restrain them because he had virtually no institutional connection to the unions. Instead, most of the unions were allied with the parties in the opposition—AD, COPEI, and Causa R. (A minority sector of organized labor was affiliated with MAS and MEP [People's Electoral Movement], but it tended to follow the lead of the Venezuelan Workers Confederation [CTV], which was dominated by AD.) When AD was in the opposition in the past, it encouraged its unions to be militant, either to embarrass the government or to gain credibility for its claim to be a social democratic party.³⁰ There were some indications that the AD union movement was asserting its independence from the party in the 1980s and 1990s. But whether the unions were independent or not, they would have no reason to hold back their members for Caldera. Increased strike activity was therefore inevitable. Nevertheless, strike rates have always been comparatively low in Venezuela, so Venezuelan unions were unlikely to become as disruptive as their counterparts have sometimes been in Bolivia, Argentina, Chile, or Peru.

Relations with the Private Sector

The process of structural adjustment of the economy also adjusted the political relationship between the state and the private sector in Latin America. Many firms that had grown dependent on protectionism,

state subsidies, and political connections found it difficult to survive in a more open market economy and lost their political influence; other firms that welcomed competition prospered and increased their influence. This Schumpeterian process of creative destruction increased conflict within the private sector in the early stages of adjustment. But where the process was allowed to proceed long enough, as in Colombia, Chile, Bolivia, and Mexico, the competitive firms became dominant and developed a more mutually satisfying, transparent relationship with the state that enhanced governability in the economic arena. In Venezuela the election of Caldera interrupted this process before the competitive firms gained dominance.

Caldera's election was an interruption because his campaign sent out mixed and vaguely worrisome signals. Some businessmen were concerned by his alliance with MAS and the communists; others were confused by the inconsistent policies advocated by his closest advisors; still others were disturbed by campaign promises to renegotiate the terms of the debt servicing agreement and to defend a fixed exchange rate when measures to fight inflation were not being discussed. After the election, Caldera's support for limited price controls, the suspension of the retail portion of the value added tax, and the lack of a clear plan to reduce the fiscal deficit added to their uneasiness. Some of the fears were alleviated by Caldera's inaugural address, but by that time a new fear had overwhelmed all the others: the fear of a financial collapse brought on by the failure of Banco Latino.

Banco Latino can be seen as a remnant of the unreformed private sector—a bank that traded on connections and corruption. It was the second largest and fastest-growing bank in Venezuela, but its success was built on political connections and lax regulation that allowed it to offer unsustainably high interest rates, and its efforts to cover its liabilities eventually degenerated into a massive Ponzi scheme. When the scheme collapsed in January 1994, U.S.\$1.5 billion in deposits—20 percent of the market—was at risk, affecting not only a million small depositors but also the pension funds of *Petróleos de Venezuela*, the national electric company, the armed forces, and, most scandalously, nearly half of the funds available to the Venezuelan equivalent of the Federal Deposit Insurance Corporation (FDIC). This failure, when combined with the problems of other weakened banks, required a U.S.\$5 billion bailout and swelled the fiscal deficit to 12 percent by 1995.³¹ The overall health of the Venezuelan economy is probably better than that of some other Latin American nations, but this crisis created profound uncertainty about the country's medium-term economic future, and therefore undermined much of the progress toward governability in the economic arena that had been achieved before 1993.

In summary, the potential for governability in Venezuela was poor in the 1990s. Compared to its highly governable past, society was more

polarized, the new governing coalition was fragmented and divided, and the former establishment parties, recently forced into the opposition, seemed either unable or unwilling to help the new president succeed in the long term. This does not mean that democracy is about to break down. There is little enthusiasm for a military government, and most strategic actors were willing to give Caldera a chance to prove himself. But in the meantime, Venezuela encountered increased symptoms of ungovernability: strikes and protests, disputed election results, conflict between governors and the federal government, economic uncertainty, and especially confrontation between the president and Congress.