The Reproduction and Crisis of Capitalism in Venezuela under Chavismo

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The current crisis in Venezuela is sometimes said to have been provoked by the response of imperialism and the local oligarchy to the fundamental changes in economic and political relations fostered during the administrations of Hugo Chávez. A quantitative study using various statistical sources shows that the significant increase in oil rent during the Chávez presidency did not translate into a qualitative transformation in the form of state intervention and that, although social expenditures increased in that period, most of the income that allowed this was obtained through currency overvaluation by inefficient national and foreign capital. The current crisis is, therefore, evidence of the limits of low-productivity state and private capital reproduction due to the decline in oil prices rather than of a conflict between overcoming and reproducing capitalism in an alleged "economic war."

A veces se dice que la crisis actual en Venezuela ha sido provocada por la respuesta del imperialismo y la oligarquía local a los cambios profundos en las relaciones económicas y políticas promovidos durante la administración de Hugo Chávez. Un estudio cuantitativo en el que se usaron diferentes fuentes estadísticas demuestra que el aumento significativo en la renta del petróleo durante la presidencia de Chávez no se tradujo en una transformación cualitativa de la intervención estatal y que, aunque los gastos sociales aumentaron en ese período, la mayor parte del ingreso que permitió ese aumento se obtuvo por medio de la sobrevaluación de la moneda por parte del ineficiente capital nacional y extranjero. Por lo tanto, la crisis actual es evidencia de los límites de la baja productividad de la reproducción estatal y privada debido a la caída en el precio del petróleo y no un conflicto entre la eliminación y la reproducción del capitalismo en una supuesta "guerra económica."

Keywords: *Venezuela, Chavismo, Petreoleum rent, Overvaluation, Crisis*

From the start, the Venezuelan government of Nicolás Maduro faced an acute economic crisis. The shortage of basic goods, inflation, and the widening of the gap between the official and the parallel exchange rate are some of the most prominent issues that marked the Venezuelan situation in late 2015. The economic crisis directly challenged the workers' political agenda.

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However, determining what the moment demanded required identifying what exactly was in crisis. The official response from Chavismo was that, rather than a crisis, the situation was economic war (Ellner, 2015; Piña Torres and Salas Rodríguez, 2015; Salas Rodríguez, 2014)—a struggle to overcome a barrier imposed from outside in order to move forward. Describing the situation in this way meant acknowledging that, during the Chavista process, a change in the specifics of the Venezuelan process of capital accumulation had taken place. This approach was consistent with the view that the Chavista process was building twenty-first-century socialism (Borón, 2008; Harnecker, 2007; Lebowitz, 2006; among others) and was under attack—in other words, that the crisis was not an expression of a cycle by which the specific features of Venezuelan capitalism were being reproduced but rather a reaction to changes in that capitalism. This essay will discuss this latter notion on the basis of an analysis of Chavista economic performance.

Our approach immediately forces us to account for the details involved in the prevalence of petroleum ground rent. Similar to those of other Latin American economies specializing in exports of raw materials, Venezuelan economic cycles are characterized by a conflictive dynamic between a sector that exploits natural resources with high productivity and international competitiveness and a sector focused on the internal market with low productivity and in need of transfers from the other sector in order to function. What we could call a "dual structure" unfolded in Venezuela in a very particular fashion.[1] The petroleum sector has been in the hands of the state since the nationalization of the resource in the 1970s, but the state's control of petroleum ground rent did not involve rectifying the dual structure. Even with state ownership of the oilfields and the principal petroleum operating capital, the economy remains tied to petroleum rent cycles. Petroleum ground rent continues to be, as it has been since at least the 1930s, the basis of capital accumulation. Circumstances change, however; the amount of the rent is not the same, nor are its forms of appropriation or their effects on the nonpetroleum sector. To analyze Venezuela's prospects we must go beyond the apologetic discourses accompanying each phase of these cycles and study the forms currently taken by petroleum rent. This essay will create a record of the petroleum ground rent in recent decades, itemizing the primary modes of appropriation, in order to determine whether there was a qualitative change in Venezuela's position in global capital accumulation during Hugo Chávez's administrations.

To this end, the work is divided into three sections. The first is devoted to the nature of petroleum rent and its scale and distribution. We examine the changes in the appropriation of the rent that took place over the previous two decades of direct intervention by the state and the increasing importance of overvaluation of the local currency (bolivar) as a mode of appropriation. The second section is devoted to an analysis of the changes in the means of state collection of the rent introduced by Chavismo, particularly after the reforms in the hydrocarbons laws. The third section deals with the overvaluation of the bolivar, the principal mode of appropriation of rent. We will attempt to show that under Chavismo there was an increase in petroleum ground rent that amplified the state's activity and produced strong consumer growth and capital accumulation, but, despite appearances, it did not involve a change in the mechanisms for ground rent appropriation. Overvaluation of the bolivar ultimately prevailed, and its immediate main beneficiaries were the import sectors and those who sent money out of the country, mostly foreign capital. Therefore, despite the sustained increase in ground rent, Venezuela did not manage to create a strong nonpetroleum sector that could overcome the limitations imposed by the petroleum cycles.

PETROLEUM RENT AND ITS APPROPRIATION

Registering the modes of petroleum ground rent requires clarification of its specific determinations. Ground rent was the subject of numerous debates around what Marx (1981) recognized as the normal forms of appropriation: differential ground rent, absolute ground rent, and simple monopoly rent. For the purpose of the current calculation, it suffices to identify ground rent as form of appropriation of surplus value. In the capitalist mode of production, where social production is carried out by private and independent producers, the existence of nonreproducible conditions of production by human labor is monopolized and takes the form of a personified property by a landowning subject whose income is recorded as if it were the value of the land—even though, not being the product of human labor, the land has no value. The landowner's income, in principle, is a payment made by the capitalist who uses that land. The capital applied to the land must yield a profit above what would be obtained in another, nonrent-generating activity. In general terms, this extra profit comes, in the case of Venezuela, from the special natural conditions that allow petroleum to be produced there with less work than in other countries. In a field in which the workplace can be reproduced by human labor, the capital with the least cost governs the price. The average rate of profit is set according to what the enterprise obtains as an expression of the overall profit rate. In the case of petroleum, in contrast, the price is determined by the capital that operates on the poorest lands. This allows those who operate on lands where labor productivity is greater than the norm to obtain extra profits. Added to this is the fact that rent must be paid even on the poorest lands.

These different forms of ground rent tend to elude the capitalist because of competition. The higher rate of profit with respect to other businesses attracts capitalists wishing to increase their profits, and they compete to operate on that land and pay higher rent. The maximum payment for the use of that land is the profit they would receive in another business—the average profit. Excess profit escapes the grasp of the capitalists because it goes first to the owner of the land. The landowner, as a personification of the ownership of the land, receives a portion of the global surplus value without having advanced any capital. He benefits from exploitation of the worker by the capitalist with no further need to reproduce himself.

Ground rent appears to come directly from the capitalist, but the excess profit that the capitalist uses to pay that rent comes from selling goods for a higher price than others. Therefore, it is the consumers of those goods who pay the rent, with the capitalist acting as an intermediary.[2] In Venezuela, as in many countries exporting so-called raw materials, most of those goods are exported, and the origin of the differential ground rent is surplus value coming from abroad. As long as this appropriable surplus value is above the average level of profit, capitalists from various sectors can compete for it without the competition's necessarily affecting the normal reproduction possibilities of the petroleum sector. This means that other capitalist factions can intervene in its appropriation at the expense of the landowners. The specific form in which they intervene is state mediation. State policy with regard to rent can make rent appropriation possible for nonpetroleum sectors in general and, above all, for the capital that pays the land rent with its consumption. The recovery of ground rent when national borders are involved is characteristic not only of Venezuela but also of many raw-material-exporting countries (Iñigo Carrera, 2008). Identifying the primary modes of this recovery under Chavismo and their implications is the subject of this paper.

Petroleum ground rent may go through several successive modes of appropriation. For example, when the state sets royalties, it is participating in the appropriation of rent. With what is collected it can subsidize companies, hire more government employees, subsidize public service rates, etc. However, our calculation is limited to identifying who initially appropriates the petroleum income. To estimate the ground rent and its primary modes of appropriation, we employed the methodology originally developed by Iñigo Carrera (2007) for Argentina and replicated by Grinberg (2008) for Brazil (see Kornblihtt and Dachevsky, 2011). In this work we focus on one of the principal contributions of this methodology, which is to account for the ground rent appropriation mechanisms that occur prior to the generation of the petroleum income that is recorded in national accounts, one of which is the overvaluation of the bolivar. This feature significantly distinguishes this method from those of Baptista (2011) and Ministerio de Poder Popular de Petróleo y Minería (2012).

Considering the income remaining within the petroleum sector and that transferred to the rest of the economy, we can see two major subdivisions: the ground rent appropriated in the petroleum sector and that appropriated in others. The former corresponds to the consumption of fixed and intermediate capital, payment of remunerations, and the sector's net income. The latter includes the following:

1. Taxes and royalties paid to the government by the petroleum sector and the social expenditures financed by the national oil company, Petróleos de Venezuela Sociedad Anónima (PDVSA).

2. The overvaluation of the bolivar. Payment for petroleum exports with an overvalued bolivar means a transfer of purchasing power from the export sector to the sectors that buy foreign currency (notably importers), who thus receive an expansion of their purchasing power overseas at no cost. The valuation of the bolivar above parity operates in various ways. With regard to the calculation of ground rent, there is the previously mentioned effect of the overvaluation of the bolivar on petroleum exports, which currently represent approximately 70 percent of the total. Further, just as the overvaluation of the bolivar involves a transfer from the export sector to the import sector, the export sector also benefits from this overvaluation when goods must be purchased overseas.

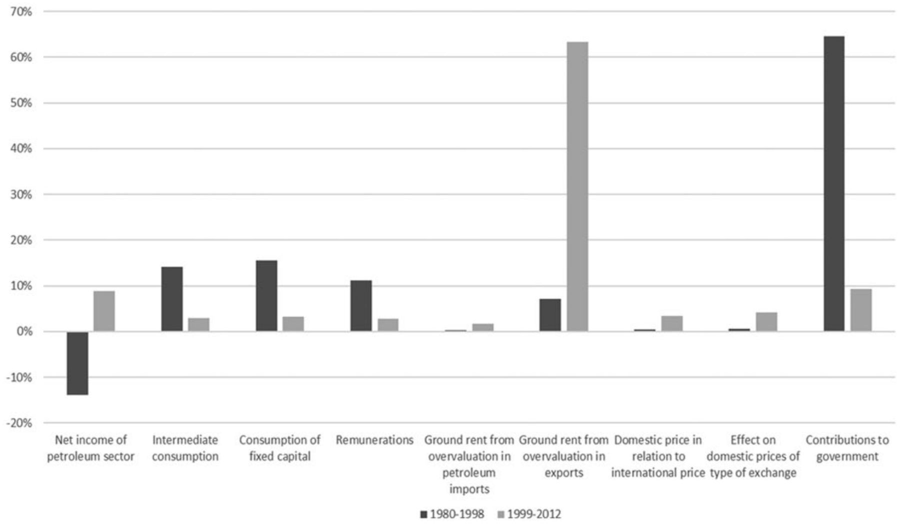

Figure 1. Participation of the primary modes of appropriation of petroleum rent, 1980–1998 and 1999–2012 (data from Ministerio de Poder Popular de Petróleo y Minería, various years; Banco Central de Venezuela, 2014; Baptista, 2011; OPEC, 2013).

3. The difference between the domestic price of oil and the international price. The internal Venezuelan market exhibits significantly lower fuel prices than the international reference. This is possible because Venezuela has a mass of differential ground rent that it can assign to the nonpetroleum sectors without charging them for it.
4. The effect on the international comparison of oil prices of the overvaluation of the bolivar.

The calculation of petroleum ground rent and its principal modes of appropriation reveals a significant increase in the appropriable amount of ground rent since the 2000s, in line with the increase in the price per barrel of oil, and important changes in the modes of appropriation (Figure 1). The petroleum "opening" that began in the 1990s involved a reduction in state participation in the rent. State participation in the rent slightly increased during the early years of the Chávez government, when overvaluation of the bolivar was very conspicuously employed as the principal mechanism of appropriation of petroleum rent. State intervention in handling the ground rent and its mode of appropriation are two main factors that we must examine in order to proceed with an analysis of the Chavista process.

The fact that during the 2000s overvaluation of the bolivar was the principal mechanism of appropriation can readily be interpreted, contrary to what most of the literature indicates,[3] as a decline in state intervention under Chavismo in favor of a market mechanism. However, this interpretation is inadequate to explain the Chavista process. During Chávez's first term, measures were taken that aimed at greater fiscal participation in petroleum ground rent. The petroleum strike and the coup d'état of 2002 cannot be explained by declaring that Chavismo meant a decline in state management of the rent. In addition, although overvaluation is a different kind of appropriation mechanism from tax collection, it is not unrelated to direct intervention by the state. On one hand, in its primary appropriation the state intervenes through its monetary policy. On the other, it intervenes in the distribution of the rent to its beneficiaries, since Venezuela's system of currency allocation is administered by the government.

CHAVISMO AND DIRECT STATE PARTICIPATION IN PETROLEUM GROUND RENT

Regarding the state's fiscal participation in petroleum ground rent and its subsequent direct appropriation, Chavismo was characterized by two main transformations: a change in the forms of tax collection based on a revaluation of royalty revenue and the expansion of social expenditures and financing of investment directly by PDVSA. Both forms created significant conflicts for the Chavista regime. Chávez's first term presented itself as a reaction to the petroleum liberalization of the 1990s. Although trends signaling liberalization had been apparent since the early 1980s, they intensified with the 1989 crisis. The process affected the mode of ground rent appropriation, relaxing the forms of state collection. In the course of the 1990s Venezuela signed 32 operating agreements and eight profit-sharing agreements (Martínez, 2011: 11). The reduction in royalty revenue was so great that in some marginal fields it was only 1 percent (Mommer, 2003: 256). Thus, during the 1990s royalties were redefined, and after 1996 the referent fiscal prices that allowed the state greater control of the amount to levy were eliminated. Royalty revenue is basic to property owners' protection against attempts by capitalists to manipulate the record of earnings upon which payments are made. Indeed, Mendoza Potella (2010) has stressed the fact that in the context of the internationalization of PDVSA, its management set the price for transfers between subsidiaries, allowing them to evade rent payments. The result of these policies was a noticeable decline in fiscal participation by the state in petroleum income. While fiscal participation in petroleum revenue between 1980 and 1989 had averaged 70 percent, by 2001 it had dropped to only 30 percent.

Reduced fiscal participation by the state in the interception of ground rent, far from being considered a temporary, necessary evil to attract investment, was praised as a long-term strategy for overcoming the economy's so-called rentier policy, which allegedly was suffocating the petroleum sector. Accordingly, PDVSA's chief economist explained that "fiscal pressure in pursuit of maximum rent had decimated the national petroleum sector" and that in other oil-producing countries "the existence of more flexible and efficient taxation systems allows areas similar to those analyzed to be developed at the expense of national production, benefiting both the governments and the economies of those countries" (Espinasa, 1999: 277). Thus the proposal was that, in the absence of areas in which they could be reinvested, the profits of companies operating in Venezuela would be directed abroad.

Easing taxation on petroleum ground rent emerged as necessary for developing marginal deposits that could not be placed in production because of high rent obligations. In this the state was following the example of the United Kingdom and Norway, where royalties had been eliminated and only cash earnings were taxed (Alaska Department of Revenue, 2012). The peak of petroleum liberalization occurred in 1997–1998, when exports reached their highest level with respect to exports of the Organization of Petroleum Exporting Countries (OPEC) and fiscal participation by the state in petroleum income was less than half that of the previous decade. By 1998, however, signs of a contrasting policy had begun to appear. In the context of the international crisis and Venezuela's fiscal crisis, President Rafael Caldera agreed with OPEC to reduce production in order to halt the decline in the international price per barrel. Later, with Chávez as president, foreign oil policy was reversed, and Venezuelan petroleum exports began to drop in relation to OPEC. Also, the inclusion of extra-heavy crude in the quota and in the counting of international reserves was agreed upon with OPEC. In that year, a battle began to reclaim petroleum royalty revenues, and it intensified during Chávez's tenure. Between 1999 and 2001 two laws were passed referring to the hydrocarbons industry that centered on the restoration of royalties and the protection of tax revenues (Lander, 2002: 132). The royalty was no longer calculated on the basis of the internal rates of return of projects and began to be set at a basic 30 percent, adjustable according to productivity. These measures had a significant impact on petroleum tax collection. By 1997 royalties were 32 percent and by 2003 74 percent of the tax contributions of the petroleum industry (Ministerio de Poder Popular, 2012).

The change in the determination of rent was bound to create conflicts over the management of PDVSA, which had become more than merely a state enterprise. Chávez's statement that PDVSA had become a "state within the state" was no exaggeration. The changes in oil policy provided Chavismo with some initial progress in handling the ground rent. Added to the tax reforms was direct PDVSA financing of expenditures that were normally under the national government such as the social missions and the Fondo Nacional para el Desarrollo (National Development Fund—FONDEN). These contributions increased in importance to the point of superseding royalty revenues. By 2012 they had reached 43.9 billion bolivars (current prices), far more than royalties (less than 20 billion bolivars), and constituted the principal form of contribution to the state (Ministerio de Poder Popular, 2012).

The increase in petroleum income and its direct collection by the national government allowed it to finance a significant expansion in social policies. Recent studies (Aponte Blank, 2010; Seiffer, Kornblihtt, and de Luca, 2012) show that social expenditures in Venezuela increased, especially with Chávez's second term, multiplying real social expenditures per inhabitant fivefold relative to 1990s levels. Chávez's administration was, more than any previous government, characterized by a welfare policy aimed at caring for the surplus working-class population vis-à-vis capital consolidated in Venezuela.

In any case, the change in the forms of receipt of ground rent did not constitute significantly greater fiscal participation in petroleum income than that of the 1990s (Figure 2). The increase in state income that allowed for financing greater social expenditures was due more to the (short-lived) rise in petroleum prices than to a greater percentage of participation in PDVSA earnings. The Chávez administrations coincided with a significant increase in the appropriation of petroleum wealth by the state, but since 2008, and particularly since the global crisis in 2009, its purchasing power has been noticeably reduced. The

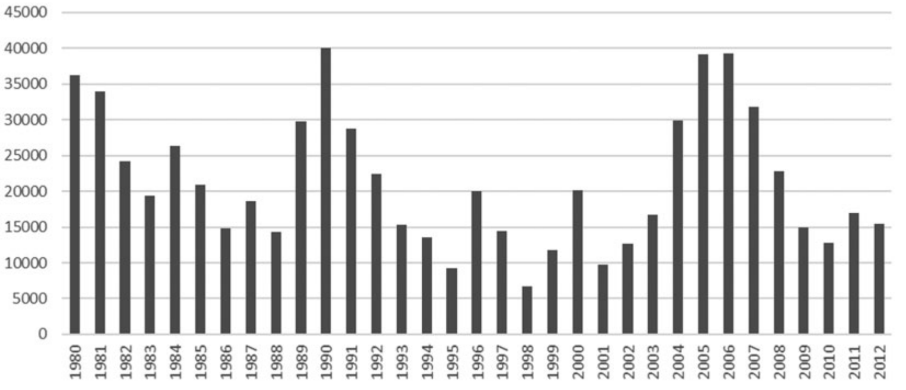

Figure 2. Contributions of PDVSA to the national government (taxes, royalties, social contributions, FONDEN) (millions of 2005 bolivars), 1980–2012 (data from Ministerio de Poder Popular and Banco Central de Venezuela).

low level of direct state participation in ground rent appropriation is associated with the reappearance of overvaluation of the bolivar at levels even higher than those reached in the 1970s boom. In other words, most of the petroleum ground rent provided by PDVSA to the nonpetroleum economy was due to the overvaluation of the currency with which it had to pay for its exports.

THE NONPETROLEUM SECTOR, OVERVALUATION, AND STATE INTERVENTION

Overvaluation of the bolivar did not begin with the Chávez administration. From several vantage points it has been identified as a condition for the development of capital accumulation in Venezuela. Mommer (1988) and Baptista (2011) present the overvaluation of the bolivar as occurring cyclically throughout Venezuelan oil history. In a long-range analysis, Baptista (2010) records the emergence of overvaluation of the bolivar in the mid-1930s, when petroleum earnings began to dominate Venezuelan exports. In the development of import-substitution industry, overvaluation was an effective mechanism of rent appropriation by internal market sectors. Guerra (2004: 27) argues that industry established by import substitution needed an overvalued currency to lower the cost of the capital goods and raw materials that were essential for its expansion and consolidation. This process was strengthened from the second postwar period on when industrialization began to be separated from food production, moving toward an industry with greater capital composition.

After the oil boom of the 1970s, the Venezuelan economy underwent notable changes. On the one hand, there was the aforementioned nationalization and changes in the forms of state intervention in ground rent. On the other, there was the collapse of the Venezuelan nonpetroleum sector, particularly after the 1980s.[4] Initially, between 1974 and 1983, the increase in petroleum earnings had translated into a rise in fixed capital investments. In this overall increase in investment there was direct mediation by the state, financing infrastructure in electricity, telephony, and the Caracas subway and the steel, aluminum, and petrochemicals industries (Bello and Suprani, 1990). In the early

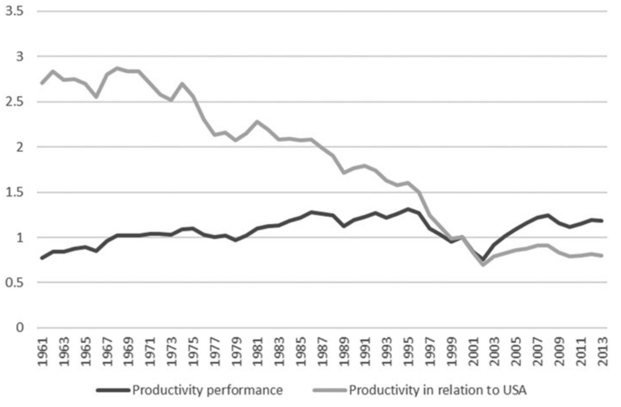

Figure 3. Nonpetroleum industrial productivity (2000 = 1), 1961–2013 (Banco Central de Venezuela, 2014; Baptista, 2011; UNIDO, 2014; World Bank, 2014).

1980s, however, the nonpetroleum economy experienced stagnation and a decline of industrial productivity, even in absolute terms (Figure 3). Venezuela is one of the few countries whose physical productivity has been stagnant for decades. In the context of this collapse, overvaluation became the subject of controversy. Mommer (1988) and Baptista (2010) pointed to studies attempting to show the negative effects of the so-called rentier policy on economic performance. This issue was not due to any peculiarity of the country but emerged in the attempt to provide a specific Venezuelan perspective on the classic explanation of the Dutch Disease, which was gaining recognition through the work of Corden (1984).

The reasons for the Venezuelan collapse are still the subject of debate and beyond the scope of this paper. Nevertheless, we can point to a problem in attributing it to petroleum ground rent and the overvaluation of the bolivar. In the decades prior to the collapse, Venezuelan industrial growth was, in fact, driven by this mechanism (see, e.g., Haussmann, 2001: 4). Furthermore, after a serious devaluation of the bolivar in the context of the 1989 crisis there was a revaluation. With Chávez's first term this revaluation intensified, reaching a peak of 459 percent overvaluation in 2010. Since then, despite the successive nominal devaluations of the local currency, it has remained overvalued in relation to parity and has become the principal mechanism of appropriation of petroleum ground rent. From 2010 to the end of 2015, the bolivar underwent a nominal devaluation of 43 percent, but monetary liquidity rose by 1,100 percent and inflation by 600 percent. The result of these imbalances was greater overvaluation, reaching 1,586 percent in 2015.

The corollary was a benefit received by the sectors that converted bolivars to dollars, mainly the import sectors but also those that conducted operations in Venezuela and then transferred profits or purchased assets overseas. Up to the third trimester of 2014, the private sector imported US$17.4 billion but should have received only US$1.9 billion from the bolivars it used to pay for them. This amounted to a transfer of petroleum rent benefiting importers, aside from any possible fraud by which not all the merchandise declared was brought in and was actually used as a mechanism for capital flight. Figure 4

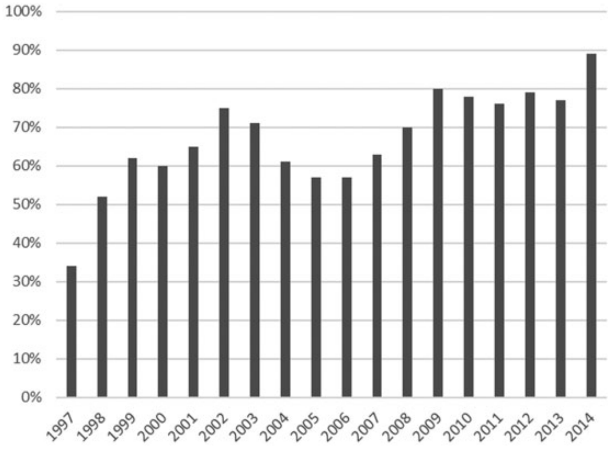

Figure 4. Percentage of imports subsidized by the overvalued exchange rate, 1997–2014 (Banco Central de Venezuela, 2014).

shows the percentage of purchasing power subsidized by petroleum rent obtained by importers operating in Venezuela during the Chávez administrations; in 2013, 89 percent of the importers' purchasing power was petroleum rent handed over free of charge.

Overvaluation is not a harmless imbalance but a powerful mechanism for the transfer of purchasing power, and as such it has a limit. Valuing the U.S. dollar at 6.30 bolivars (or even less) constitutes a transfer of purchasing power to the import sectors at a level so high that it cannot cover all the social demand for imported products. Extreme overvaluation forced the government to place discretionary restrictions on which beneficiaries would have access to a cheaper dollar, and this caused an increase in the value of the parallel dollar in relation to the official one. While the former rose to 880 bolivars by the fourth trimester of 2015, the latter remained at 6.30. This meant that only those who operated with the exchange rate set by the government participated in appropriation of the rent. The increasing difference between the overvalued and the parallel bolivar is evidence of a limit on the capacity of petroleum rent to finance the purchasing power subsidized abroad.

The distinction between fiscal intervention and overvaluation here could convey the impression of a contrast between a state form and a market form of appropriation of rent, but in fact it was the Venezuelan government, speaking for capital in general, that ultimately decided who would benefit from operating with an overvalued bolivar. Of the 50 companies that received the most foreign currency between 2004 and 2012, according to Cencoex (2013), 27 were foreign and garnered 20 percent of the currency distributed. Those same companies controlled the same percentage of foreign currency in 2014, but auto assembly enterprises saw a substantial reduction while direct consumption companies, especially Procter & Gamble and Cargill, received almost all of what they lost. This is another indication of the depletion of ground rent in sustaining the industrial apparatus and its replacement by the direct import of consumer goods. According to Banco Central de Venezuela (2014) figures for 1998–2014, an average of 52 percent of imports paid with petroleum ground

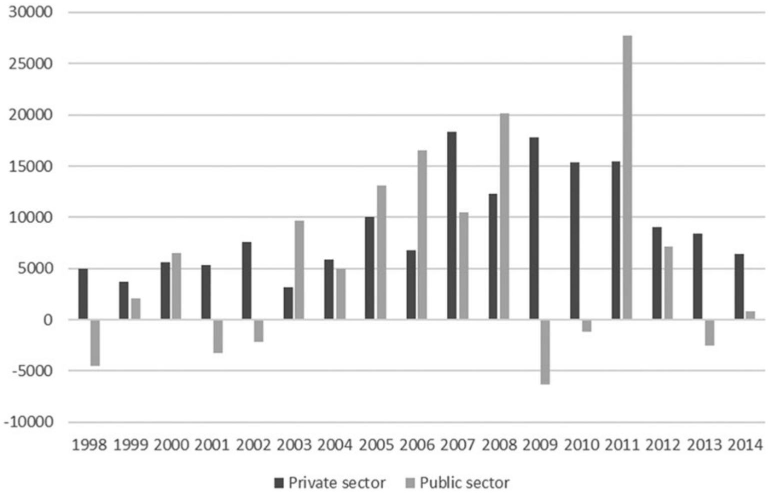

Figure 5. Annual variation in assets (millions of dollars) at the foreign market price, public and private sectors, 1998–2014 (Banco Central de Venezuela, 2014).

rent was used to purchase production supplies (intermediate consumption). This is evidence that overvaluation is a support mechanism for inefficient local capital, in a conflictive association with the working class, which benefits from the expansion of the ability to consume through social expenditures and cheap imported commodities. The national and foreign import sectors appropriate ground rent through an overvalued exchange rate destined for an expanding domestic market the corollary of which is the deepening of an industrial-sector crisis dating back to the 1980s. With the industrial expansion of the 1960s and 1970s, Venezuela became part of the group of countries such as Argentina and Brazil (Grinberg, 2008; Iñigo Carrera, 2008) in which ground rent was appropriated through the installation of low-productivity foreign and national capital that, thanks to the subsidies and tariff protection, took part of the rent out of the country. Currently we are seeing new forms of rent appropriation more closely linked to free trade and finance.

Overvaluation of the bolivar not only benefits the import sectors but doubly benefits capital based in Venezuela. On one hand, as we have seen, it benefits them through state expenditures and the expansion of their purchasing power abroad. On the other, it benefits them by expanding their capacity to remit profits and purchase assets overseas with local earnings in bolivars. The purchase of assets abroad by Venezuelan capital, both public and private, increased in these years but has begun to decelerate because of the crisis (Figure 5).

ECONOMIC LIMITS AND PROSPECTS OF CHAVISMO

The Chávez governments coincided with a phase of increasing petroleum ground rent. While this allowed for financing expansion of social expenditures, earning Chavismo the possibility of broadening its social support base, it did not create the conditions for overcoming the dependency of the nonpetroleum sector with respect to the ground rent. The Venezuelan process of

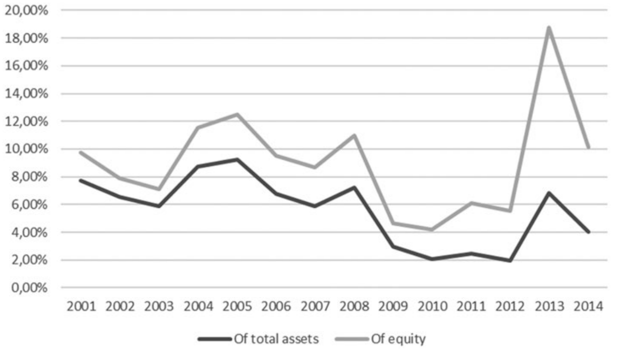

Figure 6. Profitability of PDVSA, 2001–2014 (PDVSA, 2001–2014).

capital accumulation, marked by petroleum ground rent cycles, was reproduced during the Chávez administrations. The preferred mode of appropriation of the petroleum rent was not state financing of industry or infrastructure but rather the overvalued exchange rate, the principal beneficiary of which was foreign capital. While overvaluation of the bolivar expanded purchasing power abroad, it also fostered dollar flight and generated restrictions on its sustainability over time. For this reason, the government had to restrict the demand for dollars through foreign currency allotments, which contributed to a gap between official and parallel exchange rates. Maintaining the overvaluation involved an increased flow of ground rent, which already faced a limitation that was hard to overcome. As long as there was no new significant increase in ground rent, which did not seem to be a possible scenario in the short term given the worldwide overproduction of crude (Dachevsky, 2011; Maugeri, 2012; Verbruggen and Van de Graaf, 2013), overvaluation of the bolivar could only be sustained at the expense of other mechanisms, in recent years fiscal participation in the rent. However, the Maduro administration cannot continue to reduce direct state participation in the rent without attacking Chavismo's social base. Nor does it seem that the limits on ground rent transfer through overvaluation can be resolved by reducing participation in the petroleum sector without affecting the normal reproduction of rent-generating capital. In fact, the financial statements of PDVSA demonstrate that the increase in rent transferred to nonpetroleum sectors had as a corollary a reduction in the company's profitability.

From the development of PDVSA's profitability from 2001 to 2014 (Figure 6) it is clear that appropriation of ground rent was undermining the company's possibilities for expansion, which sooner or later would appear as a limitation that had to be phased out. Profitability against assets exhibits a gradual decline, while profitability against equity exhibits a sharp rise in recent years. The difference between the two in the most recent two years is a clear indicator of the aforementioned restrictions imposed on the company. The substantial increase in profitability against equity registered in 2013 is fundamentally explained by a reduction in the company's own capital—an increase in the level of indebtedness that caused the ratio between liabilities and assets to jump from 20 percent in 2001 to 63.4 percent in 2014.

Ultimately, the way out of the strangulation of foreign currency would be a devaluation of the bolivar. Although devaluation would benefit the petroleum sector and reduce the pressure of dollar flight, this would be only an even greater adjustment to the depressed domestic market to achieve a short-term solution. The source of Venezuela's economic problems is not abstract monetary policy; rather, the latter is a symptom of those problems—the fact that petroleum ground rent under Chavismo was appropriated by sectors that simply reproduced the features of capitalism in Venezuela prior to Chávez's taking office (in other words, using the rent to sustain inefficient small capital that otherwise could not compete in the global market). Added to this condition is the financing of capital flight, which is nothing but the recovery of the ground rent originally granted to Venezuela by global capital.

On this point, analyzing the effects of the appropriation of ground rent on the competitiveness of the nonpetroleum sector becomes crucial (see Dachevsky, 2011; Kornblihtt, 2015). The transfer of ground rent to foreign capital could be interpreted as a pragmatic developmentalist policy aimed at overcoming the limitations of local capital, but Venezuelan industrial productivity does not allow for any such conclusion. The Venezuelan petroleum industry not only fell farther behind the United States (which we use to represent competitive capital worldwide) but stagnated. Physical production per Venezuelan worker is at the same level as in the early 1980s, which is evidence of the aging of the productive capital operating in the country. This low productivity demonstrates that, on average, capital is incapable of reproducing itself as normal capital in global competition. This situation is compounded by the increasing overvaluation of the currency, which reduces the cost of imports and makes the appropriation of ground rent a requirement for its reproduction. Studies of the profitability of nonpetroleum capital up until 2008 (Dachevsky, 2011; Kornblihtt, 2015) show that, without ground rent appropriation, the earnings of nonpetroleum capital would be negative.[5] During the Chávez years, the limited competitiveness of nonpetroleum industrial capital became evident through the numerous bankruptcies and abandonments of businesses, paving the way for a process of nationalization through indemnification with Sidor as the leading example. Far from reversing the trend toward economic crisis, nationalization concealed it through subsidies. Nevertheless, the financial statements published by the government show systematic losses. The expansion of state-owned companies and the creation of government-supported cooperatives did not reverse these conditions but reproduced the rentier dynamic that characterizes the Venezuelan economy through state protection (Purcell, 2013).

What prospects are presented by the process described? The cyclical nature of petroleum revenues forces us to wonder about the conditions left by Chavismo in the face of a contraction of the ground rent. The alternatives presented to the working class seem to be to defend the government or opt for a change at the hands of the former and current politicians who embody the interests of this inefficient capital and are capable only of formulating more adjustments. In this situation, alternatives arise that propose radicalization but prove inviable when their content is examined. Some call for reclaiming the perspectives of the original Chavismo in view of the Madurista deviations allegedly responsible for the problems. They place their faith in the progress of the cooperatives and social production companies without seeing that they have long been inviable because of the decline in rent. Although the cooperatives may seem to be ways to protect employment, they are part of the problem and not the solution.

Others are betting on a move against capital that will appropriate rent and confront the purported "economic warfare" of speculators and hoarders with nationalization of foreign trade as a principal proposal. This type of isolated measure advances a contraction of the rent but does not ask at whom it is aimed. If foreign trade is nationalized but there is no progress in controlling who receives the merchandise purchased and the property rent appropriated through it, the problem will resurface, now as a "war" within the state itself. If the rent continues to contract, the state will be unable to sustain trade as a mechanism of transfer of rent because it will either have to raise prices or stop importing. One positive aspect of this proposal is that it reveals the limitations of isolated steps toward state ownership. The working class's political-action problem is not supporting state-ownership measures or cooperatives or achieving a combination of the two. This only reproduces the specifics of capital accumulation in Venezuela. The problem is the need for a more potent way of organizing production, a strategy that can only be successful in a context of global unity of the working class that overcomes the limitations of the local bourgeoisie and the state projects that reproduce small national and foreign capital by rewarding their inefficiency with petroleum rent.

This prospect may seem remote, but faced with the crisis and the tendency of capital to become concentrated and centralized, rather than proposing an abstract negation of capital as if the working class were outside of society we acknowledge that the power that its own development provides can be a solution not only more in line with their needs but more realistic in light of the current cycle of intensification of conflict. From this perspective, the necessary struggles to defend the standard of living for the working class achieved in the period of increase in ground rent under the Chávez governments would be true improvements rather than just the appearance of progress.

NOTES

1. The idea of a dual structure is normally used to refer to economies with a highly competitive primary sector and a low-productivity industrial sector. This overall view must be nuanced by the existence of sectors devoted to the exploitation of raw materials, which have a specific dynamic associated with appropriation of rent but relatively low productivity. We could call this a third sector, which in Venezuela can be identified as the agricultural sector. The dynamic of the rent-generating sectors in Venezuela, whose competitiveness is relatively low (but high in other historical periods), is beyond the scope of this article.

2. For a review of the discussion on the origin of the rent, see Caligaris (2014).

3. Not taking into account the overvaluation of the currency when estimating both the absolute amount of petroleum land rent and the modes of its appropriation leads to underestimating the importance of rent in capital accumulation (as in Baptista, 2010) and therefore overestimating fiscal contributions as a mechanism of rent appropriation under Chavismo.

4. One of the principal indications of the collapse was the sharp decline in the profit rate of nonpetroleum capital (Dachevsky, 2011; Kornblihtt, 2015; Mateo Tomé, 2012) in line with the decline in the profitability of capital worldwide.

5. Calculating the profitability of the petroleum sector without considering the land rent appropriated suggests that during the early years of Chávez's tenure there was a strong recovery, although falling short of the levels prior to the collapse of the 1980s (Mateo Tomé, 2012). Including of the importance of rent indicates what supported this rise.

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