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PETROLEUM AND POLITICAL PACTS: THE TRANSITION TO DEMOCRACY IN VENEZUELA

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ABSTRACT

Petroleum and Political Pacts: The Transition to Democracy in Venezuela

New concern over the prospects for democracy in Latin America and Latin Europe has focused attention upon the identification of conditions necessary for a successful transition from authoritarian rule. In the transitional process towards the establishment of a party system in late-developing countries, how much depends upon a structurally created opportunity for democratization? What is the role and relative weight of statecraft or political engineering? The Venezuelan experience of regime transformation in 1958, one of the few examples of durable transition in the continent of Latin America, lends important insight into the interaction between structure and political process.

This paper argues that the establishment of the party system in Venezuela can be explained by two interrelated factors. First, the petroleum-induced structural transformation of the economy and society, coupled with the subsequent provision of continuously expanding revenues, created the necessary, although not sufficient, conditions for political democracy. Second, the formation of pacts at the level of elites provided an essential element in the establishment and maintenance of a party system. These pacts cannot be interpreted as merely political arrangements. Instead, they represent negotiations and accommodations between political and economic actors, a fact often overlooked in the literature on elite or consociational democracy. If the interaction between petroleum and pact-making can explain the establishment of Venezuelan democracy, this same interaction limits the democratization process. Pacts have an inherently conservative bias which institutionalizes a new form of status quo. At the same time, the structural conditions which underlie these pacts change over time, induced by the dynamic role of petroleum in the national and international economy. The combination of frozen political arrangements in the face of rapidly changing conditions creates long-run problems for regime durability, problems which are only alleviated by the short-term use of petroleum revenues.

PETROLEUM AND POLITICAL PACTS:
THE TRANSITION TO DEMOCRACY IN VENEZUELA

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One of the central debates in the social sciences is the relationship between structure and statecraft in the explanation of political regime change. Reflecting the influence of Barrington Moore, Fernando Henrique Cardoso, and Guillermo O'Donnell, scholars of Latin America systematically demonstrate the extent to which particular political outcomes can be explained by situations structurally determined at the national and international level. Key explanatory variables in this approach are the world capitalist economy, the impact of an international system of competing states, and the socioeconomic structures of dependent capitalist development. A rival tradition, influenced by such authors as Samuel Huntington and Juan Linz, stresses state capacity and purposive action in political change. Here the emphasis is upon political engineering, organization-building, leadership, and human will. The debate over the relative merits of each approach has defined much of the burgeoning work on the breakdown of democratic regimes and the rise of bureaucratic authoritarianism.[1] More recently, it has spilled over to a related issue: the prospects for democracy in Latin America and Latin Europe.

How can the transition from authoritarianism to political democracy, an increasingly rare event today, be explained in late-developing countries? To what extent is a successful democratic outcome the product of structurally determined factors? What role does skillful statecraft, collective political choice, or mere fortuna play in the institutionalization of a political party system? The challenge of these questions is not merely the location of one's own work on the continuum between those who stress voluntarism and those who emphasize structure. A more difficult task is to systematically relate the two approaches without losing the richness and insights of either--in other words, to discover how socioeconomic and political structures at both the national and international level work themselves out in a transition toward democracy. The existence of a structural space which allows and contains political competition is a necessary condition for a democratic outcome. But in itself, a structurally created opportunity guarantees nothing. Opportunities, in order to be realized, must be captured and molded by intelligent human action.

The Venezuelan experience of regime transformation in 1958 is particularly useful to illuminate the dynamic relationship between structure and statecraft. Although North American observers of Venezuelan politics have downplayed its centrality,[2] petroleum is the single most important factor explaining the breakdown of military authoritarianism as well as subsequent persistence of a democratic system. A petroleum-mediated integration into the international market, it will be argued, created the necessary structural conditions for a party system.[3] But if oil fostered the broad transformations which provided the likelihood for a democratic outcome, the properties of the commodity, always understood in a particular international and world historical context,[4] cannot account for the actual construction and consolidation of a competitive party regime. To complete the explanation, we must look elsewhere.

The literature on conflict regulation in political democracies, particularly consociational democracies, has emphasized the importance of pacts among elites in the creation of a viable new polity.[5] Elite cooperation and compromise, institutionalized through formal or informal rules, is considered the primary distinguishing feature which explains the establishment and stability of democracy in a number of smaller European nations. Daniel Levine was the first to highlight the importance of similar pacts in the process of regime change in Venezuela.[6] Through his discussion of the Pact of Punto Fijo, signed by most leading political parties, he placed statecraft--the successful management and institutionalization of conflict--at the heart of understanding Venezuela's democratic arrangements. Levine demonstrated how political elites were able to develop new norms and operational codes for the regulation of partisan and interest disputes.

Yet Levine's creative analysis shares the problems of much of the consociational literature. Since attention is focused upon engineering or pact-making at the strictly political level, negotiations between political and economic actors are treated as separate or subsidiary issues rather than as an integral part of the central rules for elite accommodation. Political actors are largely viewed as the leaders of identity groups; they are less often analyzed as the functional representatives of concrete socioeconomic interests. The result is a systematic underestimation of the economic component of these political arrangements. In addition, although acknowledging that political pacts are elite negotiations which attempt to reconcile the interests of pre-existing traditional communities with those of new challengers, there is insufficient recognition of the inherently conservative bias which stems from institutionalization of a new status quo. Pact-making, at least in the Venezuelan case, is the conscious creation of a deliberate socioeconomic and political contract which demobilizes new social forces while circumscribing and limiting the extent to which all actors can wield power in the future.[7]

The following discussion places the petroleum-induced structural transformation of Venezuela and the formation of elite pacts at the center of an explanation for the successful transition to democracy in 1958. It begins with a broad overview of the structural determinants which make democratic outcomes likely in the Venezuelan case. A detailed description of the transition year 1957-1958 then attempts to clarify the actors involved in regime change, their motivations, their resources, and the actual context of their immediate actions. The analysis next turns to an examination of the elite pacts themselves, highlighting the specific compromises and concessions underlying the modern democratic state as well as the structural and nonstructural conditions which allow political pact-making to occur. Finally, the discussion concludes with observations concerning both the cost and the durability of current democratic arrangements.

The Structural Determinants of Regime Change

Pérez Jiménez's flight from Caracas on January 23, 1958 marked the end of the military rule which had characterized Venezuela since independence. Yet sultanistic authoritarianism was historically dead as a political form long before the General escaped from La Carlota airport, taking with him a significant share of his country's fiscal revenues. The long-term impact of oil, a commodity which initially served to buttress existing regime arrangements, undermined the social basis for authoritarian rule, laying the groundwork for political change.

A historical perspective demonstrates the irony of this statement. The discovery of oil originally provided the fundamental prop for the 27-year rule of the caudillo, Juan Vicente Gómez. Difficulties in consolidating national political authority in a country wracked by internal warfare since independence meant that the birth of the modern Venezuelan state actually coincided with the discovery and exploitation of oil by foreign companies. As a result of this historic accident in timing, both U.S. multinationals and the U.S. state would become essential to the formation of modern authoritarian arrangements. Colliding with a weak and fragmented civil society, their impact was overwhelming--petrodollars became the major bulwark of an alliance which included a hierarchy of military caudillos, the coffee and cacao producers of the Andes, and the Caracas commercial and financial elite. The foreign relationship was direct: Gómez himself seized power through a U.S.-backed coup in 1908 and subsequently utilized the oil companies to maintain the stability of his rule for almost three decades. In return for accommodating them through cheap oil concessions and favorable legislation, he received rapidly growing revenues which allowed him to equip the first national army, expand a loyal state bureaucracy, and develop a sophisticated repressive apparatus.[8]

TABLE 1

GOVERNMENT INCOME AND OIL EXPORT VALUES UNDER GÓMEZ: 1920-1935
(in millions of bolivares and percentages)

Year	Government Income	Value of Total Exports	Value of Oil Exports	Oil as % of Total Exports
1920	104.4	170.6	3.3	1.9
1925	147.6	330.0	137.5	41.6
1930	243.7	762.5	643.1	83.2
1935	206.4	711.7	649.3	91.2

SOURCE: Tugwell, The Politics of Oil in Venezuela, p. 182.

Oil initially protected this oligarchic alliance from the disruptive strains of industrialization. Since an oil-mediated integration into the world market provided the revenues for a continuous expansion of the country's import capacity, it delayed any indigenous industrialization in this financially rich country. One manifestation of this structural dynamic was the consistent appreciation of the bolivar in relation to the dollar, a currency movement which provided the incentive for imports rather than domestic production.[9] While the Depression encouraged manufacturing in Argentina, Chile, Brazil, and Mexico and brought powerful pressures to expand political participation in its wake, Venezuela was insulated from these forces by its unusually strong capacity to import. Accelerated import substitution--and the populist strategies which accompany its beginning--did not begin until the end of World War II, almost two decades behind Venezuela's neighbors. This difference in world timing would prove essential for the construction of democracy.

Despite its contribution to the durability of authoritarian rule, oil eventually set in motion the long-term structural changes in the economy which undermined the existing organization of the society and polity. The petroleum economy hastened the decline of Venezuela's stagnating agriculture. Oil-induced overvalued exchange rates destroyed the international competitiveness of coffee and other traditional exports while the country's high import capacity for foodstuffs hurt the domestic market for agricultural products. With the collapse of coffee and cocoa exports during the Depression, Venezuelan agriculture virtually died: the sector's share of GDP sank from one-third in the mid-1920s to less than one-tenth by 1950, the smallest contribution in all of Latin America.[10] Since petrodollars provided easier ways to keep the economy alive, there were few major efforts to revive the sector.

The oil-induced decline of agriculture had a profound impact upon both the social structure and political behavior of Venezuela's elites. If the condition of the landed upper class is a key variable in the type of political outcomes which arise in the transition from agrarian societies, as Barrington Moore argues, this class in Venezuela experienced a rapid transformation with the foreign introduction of an oil enclave. As the attractiveness of rural investment declined, the impulse to commercialize agriculture and thus maintain elite control over rural areas also diminished. In "the dance of the concessions," Venezuelan landowners sold their property to the oil companies, converting themselves into the commercial and financial urban bourgeoisie which had once been their nemesis. Rather than continue to mortgage their coffee and cacao to Caracas middlemen, they snapped up the lucrative offers of the multinationals and turned to trading activities. At the same time, the growing mercantile class switched from handling traditional agriculture exports to goods imported from the United States. Thus, a close and stable set of relationships evolved between foreign capital, local capital, and the state--frequently held together by threads of corruption.[11]

But the political price of the decline of the landlord class was high. Without a rural base, the Venezuelan elite lost the opportunity to have an autonomous political impact. Although it would support the formation of a conservative Christian Democratic party in 1946 and consistently provide this party with its major base in the Andean coffee-growing region, a weak agrarian elite in the post-petroleum era could never supply the social underpinnings for a conservative rural political party comparable to a Partido Nacional in Chile. Even an alliance with the Church, another weak force, could not overcome the political results of this structural change.

The social and political impact of agriculture's demise was extensive at the mass level as well. The proportion of the workforce engaged in rural activities declined rapidly--from 71.6 percent in 1920 to 33.5 percent in 1961.[12] These statistics speak eloquently about the potential for social mobilization.

TABLE 2

POPULATION DISTRIBUTION, 1936-1971

Year	Rural	Urban
1936	71%	29%
1941	69	31
1950	52	48
1961	37	63
1971	27	73

SOURCE: Daniel Levine, "Venezuela Since 1958," p. 87.

As the stagnation of agriculture forced peasants off the land, they became prime targets for political action. The rapid disintegration of strong traditional rural ties, propelled by the lure of jobs in the cities and the oil camps, created the possibility for the organization of the peasantry. But despite the political content of that organization, peasants were not likely to demonstrate revolutionary potential. Factors conducive to radical action were lacking in Venezuela; strong peasant communities did not exist nor was there a rapid commercialization of agriculture.[13] More important, the zero-sum conflict necessary to produce peasant revolutions in other countries was simply not present.[14] Oil eased the virulence of landlord-peasant disputes, providing a permanent "exit" from the land for both elites and masses. If political change was unlikely to be authoritarian due to the weakness of the rural elite, a revolutionary turn was arguably doubtful as well.

If structural changes in rural areas were not conducive to authoritarian or revolutionary outcomes, the growth and transformation of urban Venezuela provided fertile ground for a reformist democratic regime. Once again, oil played a decisive role, creating the first significant internal market as well as the urban social forces that historically provide the backbone of party systems in Latin America.[15] As agriculture declined, the import and service sectors expanded rapidly, fueled by petroleum revenues. Total wages and salaries paid to the oil sector alone increased eightfold in the decade of the 1920s while imports soared; between 1913 and 1926 alone, they leaped in value from $2,372,000 to $14,297,000.[16] The most important social phenomenon resulting from the introduction and consolidation of the oil enclave economy was the emergence of a middle class composed primarily of propertied and salaried small artisans and white-collar workers in the service sector. Their numbers were complemented by a rapidly expanding state bureaucracy which swelled from 13,500 to 56,000 in a mere 15 years. This middle class continued to increase following the death of Gómez, rising from 37.8 percent to 54 percent of the nonagricultural workforce between 1936 and 1950.

Of necessity, the aspirations and demands of these capas medias dominated the political arena. The oil economy fostered the emergence of an inverted pyramid of social classes: the generation and rapid circulation of petrodollars, a function of rent rather than real productive activities, meant that a largely nonproductive urban middle class actually preceded and outnumbered a slowly growing working class. In addition to the advantages of its size and greater historical experience, this middle sector could control mass politics due to the weakness of a working class. Although the petroleum industry created a modern working class, oil workers numbered less than 26,000 due to the capital intensity of the industry. While militantly organized, primarily by the Communist Party of Venezuela, their small size and isolation in camps far from urban centers hindered their ability to make a powerful political impact. They could not unite with their industrial counterparts in the cities until the 1950s; a significant working class in manufacturing simply did not exist until it was created by the oil boom of the 1950s. A small and geographically fragmented proletariat was not conducive to the formation of large socialist or communist parties like those of Argentina or Chile. Since petroleum workers had to link up to forces in the urban areas, they fell under the sway of reformist parties based in Caracas.[17]

Thus, in both the cities and the countryside, structural conditions combined to produce a likely political outcome: a reformist alliance between the peasantry, the petroleum workers, and urban middle sectors, which would never face significant organized opposition from conservatives through a political party. Indeed, the Partido Democrático Nacional, the forerunner of Acción Democrática (AD), stood in direct opposition to the status quo of authoritarian rule, condemning:

> political Gomecismo, the medieval system of latifundias, the usurer banks and foreign imperialism. . . the same obstacles which oppose the development of a healthy and prosperous Venezuelan economy.[18]

But the first modern political party never possessed a revolutionary ideology. Demonstrating its astute understanding of Venezuelan reality, the party's platform argued that the industrial working class was too small and weak to lead a regime change; therefore, the PDN (and later, Acción Democrática) rejected a political program based upon the notion of class struggle. Instead, the party called for a united front against the powerful oil companies and the dying agrarian oligarchy which would be broad enough to include elements of the existing economic elite.

This party program, a product of the choices and skills of emerging Venezuelan leaders, could never be successful without one further structural change--a significant process of industrialization, an event which did not take place in Venezuela until the 1950s. Once again, an oil-mediated integration into the international system was the motor for economic transformation. As a result of soaring demand for petroleum in the postwar period, the Iranian crisis of 1954, and the closing of the Suez Canal, Venezuela experienced a phenomenal economic boom which literally forced the country into industrialization. In the period between 1950 and 1957, Venezuela accumulated more foreign exchange than any other nation in the world except West Germany, a nation enjoying the fruits of the Marshall Plan. As treasury reserves tripled and oil exports increased 2 1/2 times, the impact upon the domestic economy was immediate. Fueled by a high level of public expenditures which created a parallel expansion of aggregate demand, manufacturing grew 313 percent during the decade while the average investment rate was a staggering 28.3 percent.[19]

TABLE 3

GROWTH OF MANUFACTURING OUTPUT: 1948-1957
(index: 1938 = 100)

1948	350
1949	413
1950	538
1951	650
1952	716
1953	880
1954	1000
1955	1165
1956	1273
1957	1446

SOURCE: Salazar-Carrillo, Oil in the Economic Development of Venezuela, p. 119.

This industrialization carried the prospects for democracy a step further. While the decline of agriculture and the creation of new urban social classes undermined the old regime, manufacturing provided the necessary material base for a qualitatively new alliance. Industrialization was the economic banner which could unite reluctant entrepreneurs with a mass party. Even segments of foreign capital, if guaranteed their share, could accept a party system which encouraged industrialization. Timing was essential for winning the enthusiastic endorsement of foreign capital. Since the industrialization effort did not begin until the 1950s, a period of expansion, rather than the 1930s, a period of international contraction, direct foreign investment played an unusually large role from the beginning. In this decade, it increased from $938 million to $3.71 billion, the largest concentration in any Latin American nation. Investment in manufacturing grew most rapidly.[20] The political implications of this close intertwining of foreign and local capital were profound: by 1958, a specific set of national and international interests existed which would defend industrialization against any threat. Although their numbers were small, they were united, highly concentrated and centralized, and economically powerful. The Acción Democrática program would try to attract their support:

> We are aiming to put into practice a wide spectrum which will awaken and sustain private initiative through cheap credits and rational protective tariffs to fight the invasion of foreign

> products. This, and the increase in the buying power of the population through an honest and broad social policy, will increase the domestic market, a necessary step in the development of a national industry and agriculture. We do not make our fervent proclamation for a policy of bettering the conditions of workers and peasants only through loyalty to the principles of social justice . . . . We also recognize a scientific and practical reason: without this improvement, the internal market necessary for a Venezuelan agriculture and industry cannot be created.[21]

If a structural argument insists that a particular stage of industrialization is related to the demise of a certain type of authoritarianism and the creation of a political democracy, how can the brief period of AD party rule from 1946-1948, an event which preceded the industrial boom of the 1950s, be explained? Here the impact of the international state system provides a useful explanation. International geopolitical events frequently alter the shape and dynamics of a vulnerable nation's history, rapidly pushing a process of political change in a society and economy which may not be able to sustain acceleration. Thus World War II had a critical effect upon economic and military elites in Venezuela, temporarily altering the consensus for authoritarian rule.

By 1945, Venezuela had barely geared up for industrialization or a party system; manufacturing was negligible and Acción Democrática had only been formed the previous year. The period since Gómez's death in 1935 (the military rule of Generals López Contreras and Medina Angarita) had been characterized by pendular swings between liberalization and repression, reflecting the slowly growing collision of new urban social forces with a dying but unyielding oligarchy. The disruption of trade caused by the war profoundly shook the intransigence of Venezuela's great economic family groups. The decline in oil sales forced the Medina government to implement tight import controls to protect scarce foreign exchange, the first state action of this kind in Venezuela's history. As hardship struck the urban middle classes and encouraged support for both Acción Democrática and the Communist party, local entrepreneurs feared growing social disruption. Although they previously had shown little interest in industrialization, preferring to engage in import-export activities, the economic elite began to call for the development of Venezuelan manufacturing to lessen dependence upon foreign production. Prodded by Eugenio Mendoza, a young entrepreneur and Medina's minister of development, the state began to encourage national production for the first time, asking Venezuelans to "dress ourselves in our own textiles, take advantage of the production of our nascent industry, and feel noble pride in all that is Venezuelan."[22]

The war experience fostered a new ideology, dramatically changing the attitudes of key economic leaders. Trade and financial figures such as J. J. González Gorrondona and Rudolfo Rojas, affected by the New Deal's solution to socioeconomic problems in the United States, discussed planning, protective tariffs, a greater technification of the state, progressive services such as social security, and indigenous industrial development. They began to believe that an interventionist state, a heretical concept in the prewar period, was the only possible guarantee for domestic production and the prevention of social turmoil. In 1944, the nation's most important banker argued:

> The state must guarantee the normal development of production, consumption, and trade because if it evades that responsibility and abandons economic activity to the free play of private interests as the liberals argue, this will lead to a systematic repetition of economic cycles, wars, and all types of other disturbances which bring anguish into our social life.[23]

For the first time, the political and economic platform of Acción Democrática, a party which called for industrialization, seemed less threatening. Entrepreneurs such as Eugenio Mendoza began to view AD with interest.

The second World War also had a decisive influence upon the military. Since the death of Gómez, the lynchpin of the military hierarchy, disagreements had surfaced within that institution concerning succession, the closed system of advancement, and the conservative bent of gomecistas such as General López Contreras. As young officers returned from studies and service abroad during the war, they brought newly acquired technical skills, a different conception of a professional military, and new ideas originating from their exposure to intense postwar democratic sentiment. As they questioned the adequacy of the old army hierarchy for the modernization of Venezuela, divisions deepened. In 1954, a group of young officers formed the Union Patriótica Militar, signing a secret oath which proclaimed:

> . . . the profession of our democratic faith . . . we advocate the formation of a government that has as its basis the universal and direct vote of the Venezuelan citizenry, a reform of the Constitution . . . and the creation of a truly professional army . . .[24]

While young officers did not hesitate to overthrow the Medina government, they feared the outbreak of a succession struggle with López Contreras supporters if they assumed direct power. Thus they handed over the government to the only existing non-Communist alternative to military rule: Acción Democrática.

The Trienio government of 1946-1948 was a premature event, a product of elite responses to World War II rather than the political capacity of an emerging mass party. On hindsight, given the weakness of the consensus for increased participation and industrialization, it is easy to see that the first AD government was unlikely to survive. Although "sowing the petroleum" had become a national slogan, an industrial effort and the subsequent creation of socioeconomic forces with a material stake in a party system was yet to occur. Furthermore, as the international oil market recovered, the oil companies protested AD's progressive petroleum policy by threatening to move operations to the Middle East. Afraid of another economic crisis, local entrepreneurs withdrew their support for democratic rule. As the fragile consensus fell apart, there was absolutely no margin for political error. But an inexperienced party was bound to make mistakes: AD sectarianism drove away potential allies while moves against Catholic education alienated both the Church and COPEI. By 1948, with foreign and domestic capital, religious organizations, and all other political parties in opposition, Pérez Jiménez led a coup against the young democracy. Authoritarian rule was restored, but the structural transformation of the economy and society continued to create the conditions for a democratic opportunity in the future. The Trienio experience would help political figures take full advantage of that opportunity.

The Politics of Transition: 1957-1958

With the oil-led industrialization of the 1950s, Venezuela was ripe for regime change; yet the form, timing, and dynamics of its expression were not predetermined. While more participation was certainly likely, sultanistic authoritarianism might have been able to maintain a hold for a longer period of time if Pérez Jiménez had possessed political skill. Instead, his systematic and often unnecessary alienation of the key actors in the authoritarian alliance stimulated a process of breakdown from within, an internal decay which provoked a transfer of power within the military institution itself. But the fall of Pérez Jiménez does not explain the collapse of military authoritarianism as a system, nor can it account for the subsequent establishment of a political party system. Here other factors intervene. From 1957-1958, the fruits of creative and persistent party-building as well as the political learning acquired in the Trienio years were finally harvested. Leadership and successful mass organizing, largely by Acción Democrática, confronted a divided military and an isolated entrepreneurial class. The mobilization of a united and conscious civilian population converted a simple transfer of power among traditional elites into a surrender of power to new historic actors.[25]

The catalyst for regime change was the coincidence of an economic crisis with a succession crisis. The Venezuelan constitution provided for presidential elections every five years. Although Pérez Jiménez had come to power in a coup in 1948, he had declared himself president by cancelling the elections of 1952 and announcing his own victory. In 1957, in order to resolve the coming dilemma of presidential selection, he convoked a special session of the legislature which approved the formula of a plebiscite to determine the future of his rule. Venezuelans were asked to note whether they "were in agreement with the executive works of the regime and consequently considered that the person actually exercising the Office of the President should be re-elected."[26] Once he had officially announced his intention to remain in power indefinitely, previous defenders of the regime--the entrepreneurs, the Church, and the military--joined the outlawed political parties in open opposition.

It would be difficult to argue that Venezuela's conservative economic elite was concerned with legitimacy issues. For them the plebiscite meant that Pérez Jiménez, a man they viewed as responsible for a serious short-term fiscal crisis, would be able to continue a massive mismanagement of public funds that threatened the health of the economy. General Pérez's astounding levels of public spending following the oil boom of the 1950s had exceeded the nation's capacity to pay.[27] Even industrialists in the construction sector, his greatest allies through the benefits they received from public-works projects, were left with unpaid bills from the state. Since Venezuela's international credit status suffered, Pérez attempted to paper over his overspending and corruption by selling new concessions to the oil companies, accruing an illegal nonregistered short-term debt, and rapidly diminishing foreign reserves. As his financial policy brought the economy to the point of crisis in the final months of 1957, well-known entrepreneurs such as Blas Lamberti and Eugenio Mendoza issued public manifestos calling for "the normalization and dignifying of the administration of public monies."[28] Technical groups such as the College of Engineers joined their outcry.

The protests of economic mismanagement brought out other longstanding complaints of the entrepreneurs. In 1952, the government had renewed a Treaty of Reciprocal Trade with the United States which overran national markets with a wide range of cheap imported manufactured products. Non-construction-related industries suffered. Despite repeated appeals to renegotiate the treaty or establish some type of protection for local entrepreneurs, Pérez Jiménez refused to raise tariffs and actually cut industrial credits to all sectors but construction.[29] His simultaneous encouragement of foreign capital inflows, which tripled during his government, also threatened local initiative. Meanwhile, the state began to expand into direct production at the expense of the domestic private sector. In his first open conflict with entrepreneurs, Pérez Jiménez reserved steel, electrification, and petrochemicals for the public sector by establishing state enterprises in each area. Although he had originally assured Eugenio Mendoza and other businessmen that the government would not enter steel, the General apparently changed his mind and overruled local proposals for a privately-owned mill put forward by the Sindicato de Hierro. Insisting that the state could develop this industry with outside technical assistance, he claimed that "the Nation did not need intermediaries to deal with foreign capital."[30] For the first time, incipient local industry began to feel squeezed between the expansion of foreign and state capital.

Pressure was compounded by the lack of formal entrepreneurial access to state decision-making. Since the general favored a particular group of constructors linked to him through corruption, he paid little attention to organized business associations such as Fedecamaras. As favoritism grew, the economic elite began to feel that there were few avenues open for them to affect economic policy. The results of the plebiscite threatened a permanent institutionalization of this situation. Given the existing mismanagement and economic crisis, Pérez Jiménez had to go.[31]

The general's intention to remain in power also sparked Church opposition. Like the entrepreneurs, the Church had been a particular beneficiary of military rule. Virulently hostile to Acción Democrática due to that party's secularizing, anti-Catholic, and reformist policies, it had welcomed the 1948 coup with enthusiasm. Under Pérez Jiménez, the institution's budget grew rapidly, the number of organized dioceses increased, and priests from Europe were allowed to settle freely in Venezuela. Most important, the Church's role in education, hotly contested under the Trienio government, was strengthened. Although the local religious hierarchy was content with these arrangements, changes were occurring within the Church at an international level. Papal declarations of Pius XII urging more sensitivity to social justice encouraged several Catholic publications to gently remind the government of its duties towards the lower classes in editorials published on May Day. Unused to criticism of any sort, government reaction was swift and overbearing: Minister of Interior Valenilla Lanz summoned the Archbishop of Caracas to his office. By December, the "battle of the editorials" had escalated between Valenilla and a well-known priest, Hernández Chapellin. When the Seguridad Nacional, the political police, detained Padre Hernández and harassed other important figures of the Church hierarchy on the dictator's orders, the Church moved into opposition. The Christian Democrats, never declared illegal by the military, followed suit.[32]

As elite civilian support crumbled, the military became the center of action. Pérez Jiménez had initially been careful to please his own institution--allocating huge funds for military purposes, expanding personnel, purchasing expensive equipment, raising salaries, and virtually creating the navy and air force. The general's extraordinary levels of corruption, combined with his total reliance upon unpopular civilian ministers such as Valenilla Lanz and Pedro Estrada, alarmed younger officers. More importantly, he utilized the Seguridad Nacional against the military, investing the police organization with power to punish military officers suspected of disloyalty to the government. This creation of a parallel military authority was bitterly resented. Discontent crystalized in two tendencies: the first, mostly higher officers linked to the government, attempted to pressure Pérez into correcting some of the abuses of his rule; the second, younger officers organized in Movimiento para la Liberación Nacional (MLN), sought his ouster.

Divisions within the military created their own dynamics. As Pérez became more suspicious of possible disloyalty, he relied more heavily upon the Seguridad Nacional, using them to arrest officers suspected of treason. As arbitrary use of power against his own military increased, internal opposition grew, fueled by the government's activities against Catholics and other civilians. By December, although Pérez publicly claimed the united support of the armed forces, distrust was so great that different divisions were actually guarding each other. When the MLN attempted a quartelazo to remove Pérez Jiménez on January 1, the myth of a united military was broken. Although the coup attempt was a failure, it provoked intense political struggle among army officers, leading to a cabinet crisis in mid-January. On January 9, Pérez Jiménez's ministers were forced to resign and a new group was appointed, including known opponents of the general. On January 13, Pérez Jiménez went on a counteroffensive, appointing himself Minister of Defense, an action which further polarized events. Amidst cabinet reshufflings, coup attempts, and arrests, a new military consensus was formed: Pérez Jiménez had to be removed to maintain the unity of the institution itself.[33]

But traditional military and economic elites had waited too long to withdraw their support from the dictatorship. By the time they finally acted in open opposition in January 1958, they had lost their ability to control events or determine the direction of future political change on their own. Initiative had moved to the political parties, now better prepared to exercise political leadership. In the first place, the organization of each party had strengthened despite the repression of the government. AD in particular had been able to take advantage of its three years in power to form and dominate the Confederation of Venezuelan Workers and the Confederation of Venezuelan Peasants. Although illegal after the Trienio government was overthrown, the importance of these unions cannot be underestimated. In a mere three years, AD had raised the number of organized peasants from 3,959 to 43,302 while increasing the number of legal labor unions from 252 to 1,014.[34] Their structure provided an important clandestine base for "the party of the people."

Party leadership had also matured. Pushed together by the common experience of repression and learning from the past democratic failure, party representatives finally understood the need to cooperate for the first time. In June 1957, the Junta Patriótica, the first umbrella organization for all political parties, was formed in Caracas on the initiative of the URD and the Venezuelan Communist Party (PCV).[35] Insisting that all parties must overcome partisan struggles and "act jointly without hate or vengeance," this clandestine organization succeeded in coordinating the opposition activities of parties and student groups that had previously been unable to work together. Unity would strengthen the political clout of the parties in the determination of the rules for a new regime.

But unity had a different meaning to different actors. As the Junta Patriótica sought to bring all forces inside Venezuela together to fight against Pérez Jiménez, four leaders met in New York in late 1957 to make other arrangements. Rómulo Betancourt (AD), Rafael Caldera (COPEI), Jovíto Villalba (URD), and Eugenio Mendoza held discussions to decide the possible composition of a post-coup government in Venezuela.[36] They agreed that all parties would stay out of a government of transition in order to avoid immediate power-sharing disputes. These would be worked out through negotiations before the party system was actually established. Furthermore, they decided to exclude the Communist Party from claims to equal partnership, despite the party's leading role in the resistance. Betancourt insisted upon the limitation of Communist participation, claiming that the PCV's economic and political program was too radical for the types of alliances necessary to maintain a party system given the current national and international context.

On January 10, in the midst of the cabinet crisis, the Junta Patriótica defied the military by calling a massive civilian demonstration in downtown Caracas. Two days later, it had established itself as the principal organ for the coordination of all civilian action. On January 21, the Junta Patriótica called a general strike to force Pérez Jiménez from power. AD-led trade unions promptly joined. As people poured into the streets, church bells rang at noon to demonstrate Catholic support for the strike.[37] The Consejo Nacional de Banqueros, the Cámara de Industria, and the Cámara de Construcción, the former bastion of regime support, also backed the general strike, stating:

> The economic structure of Venezuela cannot withstand the political chaos facing the country. The Nation's patrimony is menaced and urgent protective measures must be taken to avoid a crash of commerce, industry and banking. The return to normalcy only can be contemplated in a climate of security and guarantees, the free play of supply and demand, and equal opportunities to intervene in political and economic activity.[38]

The military refused to leave the barracks to put down the general strike. On January 23, with the entire city of Caracas mobilized and major demonstrations taking place around the country, Pérez Jiménez agreed to leave. A military junta, led by Admiral Wolfgang Larrazabal and composed of four other officers, took over.

But the mobilized protests did not end. The Junta Patriótica declared that further military rule was unacceptable and protested the inclusion of two colonels linked to Pérez Jiménez in the new government. Organized crowds again poured into the streets, only to be fired upon by the Seguridad Nacional. Although Larrazabal promptly promised elections in the near future, protests continued. With the death toll climbing to over 250, the National Guard joined civilians in a battle against the police. Fearing that the country was on the brink of a civil war, the armed forces agreed to change the composition of the new ruling junta. In an explicit recognition of the principle of civilian participation and democractic elections, two entrepreneurs--Eugenio Mendoza and Blas Lamberti--were asked to join the government on January 24. The following day the perezjimenista colonels were ousted. Meanwhile the Junta Patriótica had expanded to include nearly every recognized interest in the country, reinforcing the organization's bargaining role. The enlarged group, still tightly dominated by the political parties, met with the new ruling junta and promised social peace in return for democratic elections. On January 27, Admiral Larrazabal publicly announced the military junta's decision: Venezuela would be democratic.[39]

The process of authoritarian regime breakdown would profoundly affect the nature of the new democracy. Although long-term structural changes in Venezuela had strengthened certain social forces at the expense of others, their ability to define new relationships within a new order depended largely upon the immediate context. The fall of Pérez Jiménez left the country plunged in a state of acute crisis. This crisis had economic, political, and military components.

The democratic rules of 1958 would be negotiated in a climate of intense economic uncertainty and popular mobilization. Corruption and mismanagement had taken their toll upon the economy. Crowds filled the streets calling for jobs, condemning the oil companies for their support of the past government, and sacking the homes of members of Pérez Jiménez's clique. In February, the provisional government responded to continued mobilization by implementing a Plan de Emergencia. In an effort to promote stability and contain the potential hostility of economic elites, the new junta announced wage subsidies and a public-works campaign. On February 15, the unions reponded with a demonstration of faith, guaranteeing labor peace in all major industrial sectors. In return, factory owners promised not to reduce personnel in their plants. As a quid pro quo, the government consented to pay the outstanding debts left by Pérez Jiménez to the private sector despite the illegality and corruption of the contracts. The combination of the Plan de Emergencia and the payment of $1.4 billion to bankers and industrialists resulted in "a huge dole given on terms that had never been equaled in any other country."[40]

Although economic peace had been purchased for a short time, oil revenues could not guarantee a secure future. The end of the 1950s boom, growing competition from the Middle East, and declining prices warned of bleaker years.[41]

The constant threat of intervention from the United States added to the atmosphere of crisis. In March 1958, Richard Nixon visited Caracas. Nixon was sent to assure the new government of U.S. support, an action which may have been the result of Betancourt's excellent contacts in the State Department during his exile.[42] But the vice-president's arrival was controversial, since the Eisenhower administration had previously supported the Pérez Jiménez government, eventually granting asylum to both the dictator and his widely-hated chief of police. Yet the virulence of national reaction was surprising: demonstrators lined the route and attacked Nixon's car. The unwillingness or inability of the provisional junta to control the protest sparked the resignation of the two civilian entrepreneurial representatives to the government, Eugenio Mendoza and Blas Lamberti. While their action was largely symbolic since two other industrialists immediately replaced them, the message was clear: Venezuela's economic elite would not tolerate a democracy which did not protect relations with its powerful neighbor. The U.S. government was quick to show the fragility of its own patience. Marine and air force transports were sent into the Caribbean "in the event their assistance would be required."[43] The strong response of the United States heightened fears of intervention. Venezuelan newspapers recalled U.S. involvement in the overthrow of the reformist Arbenz government in nearby Guatemala as well as the CIA-sponsored coup in Iran in 1954, another oil-producing nation which had the temerity to confront the oil companies. The lessons were not lost upon the leaders trying to establish a new democracy.[44]

The most serious threat of military intervention lay closer to home. Due to their intense dislike of AD, right-wing army officers of a group called Pro Fuerzas Armadas Nacionales (PROFAN) never accepted the provisional junta's promise to implement a party system. Antagonism from the Trienio years made them insist upon the exclusion of AD and the Communist party. Prompted by outrage at the Nixon incident, they attempted a coup in July.[45] Air Force General Castro Leon, minister of defense in the provisional government, sent troops to control strategic points of Caracas and began a round-up of adecos and Communists. Castro Leon was promptly visited by political and economic leaders he respected--Rafael Caldera, Jovíto Villalba, and Eugenio Mendoza, who told him that there was no civilian support for continued military rule. In an attempt to divide the entrepreneurs from the parties, the air force commander offered the presidency to Mendoza. He declined. Representatives of Fedecamaras, backing the leading industrialist, warned that commercial and industrial sectors would suspend all operations in the country if the military tried to block the transition to democracy. Meanwhile the Junta Patriótica turned 300,000 people into the streets of Caracas to protest Castro Leon's actions. When senior commanders and unit heads refused to come to his support, the attempt failed. Yet golpistas continued to act throughout the year. On September 7, another PROFAN-inspired coup was initiated. The following day, over 100 died in confused fighting while 700,000 people filled the plazas of the capital demanding an end to military intervention. This time Admiral Larrazabal ordered the National Guard and loyal army units to move against the plotters. Again, the attempt failed, but threats from the military right continued until 1961.

The context of crisis affected the perceptions of key actors concerning their goals for a new regime as well as the resources they could bring to bear upon regime definitions. While the military had the monopoly of force, the institution faced an immediate imperative to maintain its own unity and integrity. The Church, weakened by its long associations with authoritarian rule, wanted merely to guard its position in society. Both were anxious and willing to remove themselves from the political arena if their economic and institutional survival could be assured. This meant a clear delineation of military and religious spheres of action which were free from party influence. Remembering the Trienio years, they particularly wanted to limit the power of Acción Democrática.

The objectives of the economic elite were far less passive. In the midst of heightened social mobilization, they wanted their property rights protected, labor controlled, their losses minimized, and the economic situation stabilized. Those with a greater vision, leaders of the community such as Eugenio Mendoza and Gustavo Vollmer, wanted state protection for local industrialization, a goal which could provide future earnings as well as diversification away from oil dependence.[46] By definition, this project required a major new role for the state as well as their active participation in government. Unlike their counterparts in the military and the Church, they could not withdraw from the political arena. They understood that only political parties could guarantee the social peace necessary for a successful economic project, thus parties had to control the political sphere. But these parties could not be radical and a future process of radicalization, always a danger in a competitive political environment, had to be avoided. Concretely, the influence of both AD and the Communist Party had to be limited. The resources at their disposition to obtain their objectives were mixed. Since no social revolution had occurred, their economic power remained intact and they could continue to rely upon the combined strength of foreign and local capital. The U.S. government had demonstrated its disapproval of radical solutions as well. But the entrepreneurs could no longer count upon the military, and a conservative party capable of exerting social control did not exist.

The goals of the political parties, thrust into center stage during the process of regime breakdown, were clear. Each had a concrete stake in the establishment of a party system, a potential reality if sectarian disputes of the past could be overcome. All parties understood that unity was essential to win the acquiescence of more traditional actors. All parties wanted to expand the economic sphere of state action which would allow them an independent economic base of support. But the immediate resources of each party varied greatly, presenting problems in the quest for united action. Although the Communist Party, COPEI, and the URD had a degree of mass support, AD had an obvious and overwhelming majority which would weigh heavily in an electoral system. If the eventual conversion to a one-party system were to be avoided, other parties needed concrete guarantees against future hegemonic pretensions. They too wanted to circumscribe the power of the *adecos*. In seeking to limit AD, all other parties would thus become the *functional* allies of the military, the Church, and the entrepreneurs. COPEI, in particular, functionally represented traditional elite interests, a role it played with relative ease due to its conservative origins. This essential reality would be reflected in the concrete agreements which formed the basis of the new regime.

Negotiating Democracy: The Political and Economic Pacts of Elites

Venezuelan democracy was specifically set up to accommodate the demands and desires of new politically organized actors without significantly threatening the interests of those who were strong enough to reverse the process of change--the military, foreign and local capital, and the U.S. government. Building a successful political democracy required an explicit definition of new parameters of action and new rules, both formal and informal, which could guarantee the basic objectives of all social actors. These institutional arrangements were established through elite-negotiated pacts formulated in 1958 and refined during the first years of the Betancourt administration. The net result is captured in two related documents--the Pact of the Punto Fijo and the "Statement of Principles and Minimum Program of Government." Written by politicians and industrialists and signed before the country's first elections by all presidential candidates, these documents bound all signatures to the same basic political and economic program regardless of the electoral outcome. Only the Communist Party was excluded from the two agreements.

Punto Fijo and the Minimum Program of Government actually represent several intertwined political, economic, military, and religious pacts. In return for accepting the new definition of an "apolitical, obedient, and nondeliberative body,"[47] the armed forces received the state's promise to technify and modernize equipment, improve the economic situation of officers and enlisted men, and maintain obligatory military service. In an implicit agreement to remove the question of accountability for its role during the Pérez Jiménez period, the military was assured prestige and respect in the future. All parties would "recognize the merits and service of the men who make up the Armed Forces and their important collaboration in the maintenance of public peace." This was not mere rhetoric. In the future, the parties would make a consistent effort to uphold the notion of the military as the repository of national values.[48] The Church also received guarantees. While these were not explicit in the original document, the first new government immediately altered the Church's legal status, granting greater independence from the state. All political parties promised to increase their subsidies to the religious establishment as well.[49]

Negotiations in the political sphere were more complex. The Pact of Punto Fijo guaranteed:

(a) Security that the electoral process and the public power that stems from it will correspond to the results of the vote.

(b) The electoral process will not merely avoid any rupturing of a united front but will also strengthen this unity through a prolonged political truce, the depersonalization of debate, the eradication of interparty violence, and the definition

> of norms to facilitate the formation of a government and a deliberative body that equitably reflects all sectors of Venezuelan society.[50]

All political parties agreed to abide by the outcome of democratic elections at the national and local level. Although not committed to explicit quotas of power-sharing, a prolonged political truce required the formation of coalitions and an equitable distribution of the benefits from state power. Regardless of who won the elections, each party was promised concrete participation in the political and economic pie through access to state jobs and contracts, a partitioning of the ministries, and a complicated spoils system which would ensure the political survival of all signatories.[51] This political formula was the result of intense negotiations among the parties between August and October of 1958 after a previous proposal to put forward a single presidential candidate had been defeated. It would be carefully implemented by President Betancourt.

The spirit of the Punto Fijo pact was later institutionalized in the Venezuelan Constitution of 1961. Since the parties had agreed to determine the president through national elections, the executive was defined in national rather than partisan terms. Reflecting Venezuela's tradition of highly centralized power as well as the need for a mediator above the parties, the president became the supreme arbiter in the country. The office of the president was given control of the nation's defense, the monetary system, all tax and tariff policy, the exploitation of sub-soil rights, the management of foreign affairs, and a variety of other powers. The nation's top executive had the authority to name all cabinet ministers, state governors, and state enterprise officials. In addition, he could declare a state of emergency and issue extraordinary economic measures. Although the constitution did establish some restrictions upon executive power, the system was clearly presidentialist.[52] The key restriction, a no-reelection clause, prevented continuismo, but it also weakened the party's influence over the national leader. With immediate reelection ruled out, he would be less responsive to his political base and more open to the influences of traditional elites.

The powers of Congress, on the other hand, were fashioned with the aim of both maintaining and containing a pluralistic political environment. The role of the parties was predominant. Since the electoral law provided for a system of proportional representation by party, it encouraged party control over legislators. The Chamber of Deputies and the Senate were divided into party fracciones headed by a chairman who was the representative of the party's national central executive committee. But if party authority was maximized within the Congress, its power was carefully circumscribed in order to limit party influence in day-to-day policy. Congressional committees were extremely weak, with little financial or human resources at their disposal; thus it was extremely difficult to initiate legislation or adequately criticize laws originating in the executive. Although parties had finally won a forum for debate and political struggle, the outcome of those struggles in Congress would be relatively insignificant apart from the five-year elections.[53]

The possibility of radicalization and partisan conflict was contained to a still greater extent by the Minimum Program of Government, a document which specified the broad outlines of the country's new economic proyecto. All parties agreed to accept a development model based upon foreign and local private capital accumulation, a basic law codified in the new constitution:

> The state recognizes the primary function that private initiative fulfills as a factor of progress and the collaboration offered by foreign capital in this sense. Thus it will be stimulated and protected within the limits established by the public interest.[54]

They promised to subsidize the private sector through the Corporación Venezolana de Fomento as well as provide high levels of protection to local industry. In addition, the state would assume responsibility for economic planning and costly infrastructural construction. The Minimum Program ruled out the possibility of expropriation as well. Although it proposed an agrarian reform, it promised that changes in land tenure would be based upon a principle of compensation. Important guarantees were given to foreign capital as well. The oil and steel companies were relieved to discover that demands for nationalization of the industry were not raised, a real surprise due to AD's aggressive petroleum policies of the past. Although future state policy would insist upon greater participation in revenues from oil and a firm "no concessions" policy, the continued presence of the multinationals in extractive industry was guaranteed.

The political parties received a quid pro quo for their assurances to industrial and financial interests. The expanded role of the state in the economy, a development which could only enhance the power of those in control of the political sphere, was a key element in the negotiations for the new democracy. Although this was a virtual fait accompli inherited from the Pérez Jiménez years, state expansion was still viewed with trepidation by the economic elite. But the implicit nationalism of state ownership of strategic sectors pleased the military, while increased job opportunities for politicians, bureaucrats, and technicians were attractive to the large urban middle class. The parties system would thus promote a state role in direct production as well as the regulation of the economy. As the 1961 Constitution guaranteed:

> The state will promote the economic development and diversification of production with the goal of creating new sources of wealth, raising the income level of the population, and strengthening the economic sovereignty of the country.[55]

Political parties also won important new benefits for their labor, peasant, and middle-class base. The Minimum Program promised to pursue full employment, a major housing program for the poor, a new labor code, and widespread social legislation in health, education, and social security. Recognizing that "work is the fundamental element of economic progress," the democratic regime granted trade-union rights and the freedom to organize. It was implicitly assumed that the state would intervene in the process of collective bargaining in favor of the Confederation of Venezuelan Workers as well as the Peasant Federation. In addition, the state would provide various subsidies in food, housing, and welfare for the popular sectors.[56]

The Minimum Program of Government and the Pact of Punto Fijo embody the foundations of Venezuelan democracy: a particular combination of compromise and concession between traditional and nontraditional actors to establish a new regime. In exchange for guarantees of institutional survival and continued benefits, the military and the Church withdrew from the direct political arena. The essential compromise, however, was captured in the concrete negotiations between AD and the entrepreneurs--a classic exchange of "the right to rule for the right to make money." Discussions between Eugenio Mendoza and Rómulo Betancourt, as well as those among other leaders, developed this trade-off based upon the broad outlines of an economic program. A party system was implemented, but fundamental issues concerning policies towards industry, the petroleum companies, labor, and the peasantry, etc., were decided before the elections, making potential issues into parameters by removing them from the electoral arena. In essence, the overall rules of production were predetermined. This depoliticization of broad economic questions was guaranteed to continue as long as the basic compromise served to bind all parties. While the signatories were allowed to struggle over issues not included in the Minimum Program, all parties except the Communists could not violate the economic principles previously accepted. This compromise between the entrepreneurs and the parties represented an explicit recognition of the new structures of power in place in Venezuela; the entrepreneurs continued to wield economic power while the parties, particularly AD, could mobilize and control the population.

While compromise between entrepreneurs and politicians was based upon an understanding and acceptance of existing power realities, the concessions exchanged among the political parties were the product of astute statecraft. In some sense, the former had to be successfully negotiated if Venezuela were to become a political democracy; the latter involved more voluntaristic choice which in the longer run affected the form and legitimacy of the democratic regime. In signing Punto Fijo, the country's dominant party explicitly agreed to under-utilize its potential electoral power. More important, through its subsequent partitioning of ministries and power-sharing in the unions with COPEI and the URD, Acción Democrática actually helped to ensure the continued existence and future growth of other parties. By curbing its own influence while strengthening a loyal opposition, AD granted these parties the potential to win elections in the future--an act which would guarantee their commitment to a defense of the system. Thus Punto Fijo neutralized potentially disloyal opposition for all signatories at the same time that it institutionalized political conflict.

The negotiations for Venezuelan democracy represented by these intertwined pacts among elites were highly successful. The country has experienced four popular elections and three transfers of power between opposition parties, a unique phenomenon in Latin America. Formal coalitions which closely followed the letter of the pacts existed in both AD administrations of Betancourt and Leoni; during the COPEI government of Rafael Caldera, they were abandoned for a set of informal working arrangements between parties. The pacts themselves depended upon leadership and skillful political engineering, the product of political learning by certain key Venezuelans. Betancourt, for example, wisely utilized the lessons of the Trienio failure, learning the importance of making both concessions to parties and compromises to interests. Eugenio Mendoza demonstrated the foresight of an industrialist who had learned to view economic crisis from a political perspective when he was minister of development during World War II. While the extent of consciousness of each man is unclear, both showed remarkable flexibility and timing at crucial moments during the transition.[57] The ability to work together on an informal basis in itself established a new conflict-regulation mechanism. In the future, intense political struggles which strained the limits of pact-making would be resolved by "summit meetings" between the original designers of Venezuelan democracy, particularly Betancourt and Caldera.

But however important the role of statecraft, the success of the pacts themselves depended upon specific given conditions which were beyond the control of democratic negotiators. Pact-making in Venezuela was not the simple result of a deliberate joint effort by elites to create a new order nor of free choice among key actors. Its viability depended upon the existence of a structurally created opportunity for democracy which provided the political and economic space for the accommodation of divergent interests. Without this structural opportunity, the will, intentions, and political learning of individuals would not have produced the desired outcome.

In the first place, the international context conditioned both the content and the consolidation of a party system. The mere presence of a hegemonic power willing to intervene in Latin America and in oil-producing nations was an important veto against radical economic or political solutions. The U.S. government was the most compelling actor in AD party discussions concerning the possible nationalization of oil during the transition year. Although there is little evidence of direct pressure, fear of the potential consequences was enough to rule out expropriation.[58] During the provisional government when programmatic definitions were established, the Eisenhower administration adopted a "wait and see" attitude, partially won by Betancourt's contacts with the State Department.[59] Later, in the crucial period of regime consolidation from 1959-1961, the Cuban revolution and President Kennedy's election totally changed the parameters of U.S. activity in the hemisphere. In the sudden search for palatable alternatives to revolution, Venezuela's young democracy stood out like a shining star. The Betancourt administration became the target for the Alliance for Progress as well as newly devised counterinsurgency policies that could help to sustain the regime. The United States became a bulwark of the new regime.

Second, the economic context was favorable to a competitive party outcome. Although Venezuela suffered the effects of an economic crisis provoked by Pérez Jiménez throughout the provisional government and the first years of the Betancourt presidency, these problems had been inherited and were not created by the new government. Betancourt's actions were reassuring; the rapid design of import-substitution policies as well as the immediate resolution of conjunctural financial problems gave the impression that the party system could handle economic policy. In the long run, however, democratic administrations depended upon oil revenues to maintain the ambiguous situation of fomenting the growth of a private sector while simultaneously granting favors to the middle and working classes.

Concretely, each government provided extensive subsidies, contracts, and infrastructure to entrepreneurs while charging the lowest taxes on the continent and allowing some of the highest profits. At the same time, Venezuelan governments could afford to support collective bargaining for the highest wages on the continent, price controls, huge food subsidies, and an agrarian reform. Oil revenues foot the bill for both business and the popular sectors, protecting the country from the inflation and balance-of-payments problems that plagued other party systems with similar economic projects. In order to extract more revenues from oil, the state pursued a two-fold strategy: the formation of OPEC at the international level and the pursuit of increased participation in the foreign-controlled industry at the national level.[60] Its success on both fronts mitigated normal pressures to hold down wages and benefits in labor since capital accumulation actually took place through the transfer of resources from the oil sector to other parts of the economy.

Third, the small number of elite actors and their ability to exercise leadership over their small respective sectors was essential to the process of accommodation. Smallness and adequate control, necessary conditions emphasized by the literature on consociational democracy,[61] were the products of the historical development of different social actors. The entrepreneurial class, for example, was characterized by high levels of concentration and centralization of capital, links with foreign investment throughout sectors, a low level of competition, and few political or economic divisions once the oil enclave had been introduced. Close personal and marriage ties between the large family groups cemented the remarkable homogeneity of this class.[62] Thus Eugenio Mendoza, the representative of a growing family dynasty, had little trouble getting other entrepreneurs to follow his leadership. Discredited by its relationship with Pérez Jiménez and the oil companies, the economic elite was very willing to fall in line behind a family friend who could bargain with the parties. Structural conditions also facilitated the communication and discipline of the political parties. The relatively few organizations which existed in Venezuela were able to exert unusual control in the context of a weak civil society. Aside from Fedecamaras, all class associations were dominated by political parties, exaggerating their influence upon a homogenous urban middle class. Party leaders were largely the product of similar backgrounds and educational experiences, usually centered in Caracas. Thus, crucial political decisions, such as the formation of the Junta Patriótica, could be made at social gatherings in the houses of friends, an advantage which facilitated political accommodation.[63] An essential fact of Venezuela's historical formation cannot be overlooked here: the country has no national or ethnic cleavages which have become politically relevant in the modern period.

Fourth, the existence of a weak left and a weak right, in part attributable to Venezuela's oil-mediated class structure, created the opportunity for successful pact-making. As we have seen, oil destroyed the rural basis for a mass conservative party while simultaneously delaying the formation of an urban working class, the organizational target of the Venezuelan Communist Party.[64] The weakness of the left in particular meant that the perceived costs of its exclusion were relatively low, a factor Betancourt understood when he ruled out the participation of the Communist Party in Punto Fijo. That exclusion, combined with the policy of careful compromise with the military and business resulted in a toned-down economic and political program which was bitterly resented by the PCV as well as militant AD youth. In April 1960, the entire youth branch of AD left in protest after their leaders had been expelled from the party and from labor and peasant federations. Their new party, the Movimiento de Izquierda Revolucionaria (MIR) criticized the doctrine, strategy, and tactics of the Betancourt administration. Later, in the face of government repression, they launched the largest guerrilla movement in Latin America. The importance of their subsequent defeat cannot be overemphasized. Daniel Levine claims that this was the single most important factor in the final unification of the center, the right, and the United States in support of AD.[65] In addition to consolidating support for the new party system, the defeat of the left encouraged the demobilization of the popular sectors. Without militant leadership, the incidences of labor conflict dropped from 91 in 1960 to 40 a year later.[66]

Finally, a deeply divided military was a fifth condition for the ability to make pacts. Civilians could not persuade the armed forces to withdraw from the political arena. The military "exit" was largely the result of structural change. The Trienio and 1958--two moments in which the military ceded power--had similar characteristics: divisions within the armed forces over benefits and other internal matters were exacerbated by a succession crisis coinciding with an economic crisis. Thus military matters merged with decisions of political leadership and new economic directions, eventually creating at least two clearly defined tendencies within the armed forces. Deepening divisions had their own dynamics, often provoking armed confrontations between branches of the military. Eventually, the reins of political power had to be released in order to maintain the integrity of the institution itself.

Conclusion

Certain conclusions concerning the successful transition from an authoritarian regime to a polity based upon party competition can be drawn from the Venezuelan case. Adam Przeworski has argued that a central task for the designers of a new democracy is to limit the intrinsic uncertainty which characterizes democratic politics.[67] Since free elections institutionalize the resolution of conflict by means of contests whose winners are not predetermined and whose subsequent activities cannot be prescribed, winning the support of established elites for this form of rule is difficult, particularly in the context of their heightened desire for stability which predictably follows a process of regime breakdown. Conversely, the combination of crises which seems to lead to the collapse of authoritarianism -- the coincidence of serious economic difficulties with a succession dilemma -- weakens those very elites normally less willing to accommodate new actors, i.e., the military and the business sector. Thus, in the immediate coyuntura, they may be drawn by necessity into compromises with new social forces.

Political pacts can be an important mechanism in the transition to democracy. Pact-making among elites is based upon the interpretation of the present as well as the future. It must build the immediate support necessary for the establishment of an electoral system while developing the mechanisms to guarantee its stability in the years ahead. The ability to successfully limit uncertainty through the formation of pacts depends upon the resources that key actors bring to the bargaining table at a particular moment, their perception of those resources, and their understanding of their opposition's strengths and weaknesses. Competing elites must define a particular set of compromises and concessions that can create a new order. Compromise involves an explicit recognition of existing structures of power, a recognition that is translated into parameters of action before elections take place. It requires a trade-off between actors who have mutual capacities to inflict damage at a point in time. In the Venezuelan case, compromise has a specific socioeconomic content which defines the long-term rules of production and then attempts to depoliticize these essential definitions. The problem of uncertainty is thus resolved at the programmatic level, an action which then permits a wider range of choice between parties and candidates.

Concessions play a different role in pact-making. They reveal the basic component of successful statecraft--the ability to underutilize power, on the one hand, while simultaneously over-rewarding weaker forces, on the other. By granting all actors a stake in a new regime, concessions provide an important element of legitimacy. Mutual vetoes, coalition-formation, or the partitioning of ministries create the impression of pluralist arrangements while disguising actual relations of political power. But these legitimacy formulas can only work if they contain the real possibility for winning elections or sharing power in the future. The decision to exclude certain actors from concessions is both a denial of this future possibility as well as a declaration of open opposition. This exclusion from political negotiations can reveal the intention, conscious or not, to exclude social actors militarily at a later date. Again, the Venezuelan case is instructive. Concessions gave both COPEI and the URD the opportunity to continue active party-building in the context of AD hegemony. The exclusion of the Communist Party and the youth leadership of AD transformed the nature of their opposition into a military battle and a decisive defeat for the left.

What can be said about the viability of pacts over time? Most important, their durability has limits which are intrinsic to the pact itself. In part, these limits are generational. Pact-making relies upon a high degree of communication and implicit understanding which often arises from the process of accommodation itself. Shared assumptions and interests create a new community in the act of negotiation, allowing the spirit of an original pact to be recaptured in the future. In a sense, the decision to enter an initial pact is a "pact about making pacts." But this spirit of accommodation is difficult to sustain once the original negotiators have departed from the scene. In Venezuela, for example, the "spirit of Punto Fijo" which permeated the first three administrations was absent from the government of Carlos Andres Pérez. Not surprisingly, Pérez was the first chief executive who had not taken an active part in the negotiations of 1958.

To a greater extent, the durability of pacts is limited by structural change. While the success of pacts depends upon the existence of a particular structurally-determined space, the resulting political stability creates the opportunity for future socioeconomic transformation. Thus pacts permit structures to change over time while freezing a set of relationships in place. Ironically, their very success undermines their durability. In the Venezuelan case, democratic agreements provided the context for subsequent rapid economic growth in the 1960s and 1970s. This process has created new politically relevant social actors which are unrepresented by the elite agreements of the past. As the country becomes more highly industrialized and more complex, the ability of particular elites to maintain control over their constituencies is also increasingly thrown into question. Thus, oil-mediated development undermines the bases for existing political pacts just as it once destroyed the social foundations of authoritarian rule. Meanwhile, the mere passage of time and the healing effects of staying out of power have cemented a new unity within the military, establishing a possible alternative to a competitive party system.

Finally, the continued viability of pacts is related to the political and economic cost of their existence. In the Venezuelan case, cost has both an international and a domestic component. Pacts based upon the implicit assumption of unending petroleum revenues do not involve sacrifice; they promise specific, albeit unequal, economic benefits to every social group represented in the pact. Venezuelan elites have been unusually successful in their ability to project the tremendous expense of these economic and political agreements onto the international system. To the extent that internal distributional and production problems are resolved through major and unplanned jumps in the price of oil, there is a dual danger to both the international market economy and a Venezuelan state unable to cope with sudden booms. Corruption is another measure of the price to be paid. Since the oil-producing state is the center of accumulation, pacts which carve up the state through a spoils system have a deeply corroding influence intrinsic to the nature of the agreements themselves. Those included in the pact develop a type of complicity which undermines the legitimacy of the system itself in the eyes of those who are left out. But if this elite represents "a nation of accomplices," as the Venezuelan poet Thomas Lander once claimed, complicity is built upon a fragile structure--an industry consisting of a nonrenewable resource which has already been largely depleted. The high cost of political pact-making in Venezuela has yet to be realized.

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[2] While scholars always mention the importance of petroleum in understanding the Venezuelan polity, they seldom discuss the role of the commodity in the maintenance and durability of the party system. See David Blank, Politics in Venezuela (Boston: Little, Brown Co., 1973), or John Martz and Enrique Baloyra, Electoral Mobilization and Public Opinion, The Venezuelan Campaign of 1973 (Chapel Hill: University of North Carolina Press, 1976). Both books are examples of analyses of party and electoral systems which do not pay enough attention to the role that petroleum revenues play in both system breakdown and system maintenance.

[3] This does not imply that a party system was an inevitable outcome given Venezuelan petroleum wealth. Instead I argue that oil was a necessary although not sufficient condition for the creation of a party system.

[4] Here I am referring to its impact on the terms of trade as well as its impact on patterns of industrialization and social structure. For an initial discussion of this, see Albert Hirschman, "A Generalized Linkage Approach to Development, with Special Reference to Staples," Economic Development and Cultural Change, 25, Supplement (1977), 67-98.

[5] See Hans Daalder, "Building Consociational Nations," in S. N. Eisenstadt and Stein Rokkan (eds.), Building States and Nations (Beverly Hills: Sage Publications, 1973), vol. II; Arend Lijphart, Democracy in Plural Societies, A Comparative Exploration (New Haven: Yale University Press, 1977); and Eric Nordlinger, Conflict Regulation in Divided Societies (Cambridge: Center for International Affairs, Harvard University, 1972).

[6] Daniel Levine, Conflict and Political Change in Venezuela (Princeton: Princeton University Press, 1973). Also see his essay "Venezuela since 1958: The Consolidation of Democratic Politics," in Linz and Stepan (eds.), The Breakdown of Democratic Regimes: Latin America.

[7] For a discussion of the limitations of democracy in this sense, see Adam Przeworski, "Some Problems in the Study of the Transition to Democracy," Latin American Program Working Paper No. 61 (Washington, D.C.: Woodrow Wilson International Center for Scholars, 1980), p. 19.

[8] See Edwin Lieuwen, Petroleum in Venezuela: A History (Berkeley: University of California Press, 1954); Domingo Alberto Rangel, Capital y Desarrollo (Caracas: Universidad Central de Venezuela, 1970), tomo II, and his Los Andinos en el Poder: balance de un hegemonia, 1899-1945 (Caracas, 1964).

[9] See Armando Cordoba, "La estructura tradicional y el impacto petrolero en Venezuela," in Armando Cordoba y Hector Silva, *Aspectos Teoricos del Subdesarrollo* (tercera edición; Caracas: UCV, 1974). Also see Sergio Aranda, *La Economia Venezolana* (Bogotá: Siglo XXI, 1977).

[10] See W. Karlsson, *Manufacturing in Venezuela: Studies on Development and Location* (Stockholm: Alquist and Wiksell International, 1975), pp. 24-36.

[11] This process is described by Lieuwen, Aranda, and Cordoba in their works cited above. Perhaps the best description of the changes in elites and the formation of a bourgeoisie can be found in Mario Briceno Iragorry's novel, *Los Riberas* (Caracas: Ediciones Independencia, 1957).

[12] W. Karlsson, *op. cit.*, p. 34.

[13] See Barrington Moore, *The Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966).

[14] See Jeffrey Paige, *Agrarian Revolution* (New York: Free Press, 1975), or Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979).

[15] For the importance of urban social forces and the creation of an internal market for party systems, see F. H. Cardoso and Enzo Faletto, *Dependencia y Desarrollo en América Latina* (Mexico: Siglo XXI, 1969).

[16] Armando Cordoba, *op. cit.*, pp. 153, 198.

[17] James Petras, *The Nationalization of Venezuelan Oil* (New York: Praeger, 1977), pp. 6-7.

[18] Acción Democrática, *Doctrina y Programa* (Caracas: Secretaria Nacional de Propaganda de Acción Democrática, 1962).

[19] Jorge Salazar-Carrillo, *Oil in the Economic Development of Venezuela* (New York: Praeger, 1976), pp. 101, 117.

[20] See D. F. Maza Zavala, "Historia del Medio Siglo en Venezuela: 1925-1975," in Pablo González Casanova, *América Latina: Historia del Medio Siglo* (Mexico: Siglo XXI, 1977), tomo I, p. 515.

[21] Acción Democrática, *op. cit.*

[22] *Las Empresas Mendoza* (Caracas: Fundación Mendoza, n.d.), p. 59.

[23] Speech of J. J. González Gorrondona in *La Libertad económica y la intervención del estado, ciclo de conferencias organizado por el Partido Democrático Venezolano* (Caracas: Tipografia de la Nación, 1945), p. 91.

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[26] Luis Herrera Campins, "Transición Política," in J. L. Salcedo Bastardo, et al., *1958: Tránsito de la Dictadura a la democracia en Venezuela* (Barcelona: Editorial Ariel, 1978), pp. 94ff.

[27] The impact of the boom itself and the subsequent mismanagement of excess funds has seldom been mentioned as an important catalyst in the downfall of Pérez Jiménez. However, it forms an important backdrop to the events of 1957-1958 and was the key to entrepreneurial dissent.

[28] Cited in Andres Stambouli, "La actuación política de la dictadura y el rachazo del autoritarianismo," paper presented at the 1979 national meeting of the Latin American Studies Association. This is the single best description of growing opposition to the Pérez regime in 1957-1958 that I have encountered.

[29] La Corporación Venezolano de Fomento, *30 Años* (Caracas: CVF, 1971). Also see Andres Stambouli, *op. cit*., p. 23.

[30] On the Sindicato de Hierro, see Stambouli, *op. cit*., p. 28, as well as the forthcoming doctoral thesis by Julie Skurski and Fernando Coronil, University of Chicago.

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[32] On the Church, see Stambouli, *op. cit*.; Herrera Campins, *op. cit*.; Levine, *op. cit*.

[33] This description of military events is based upon Taylor, *op. cit*., Stambouli, *op. cit*., and Winfield Burgraff, *The Venezuelan Armed Forces in Politics, 1935-1959* (Columbia: University of Missouri Press, 1972).

[34] John Duncan Powell, *Political Mobilization of the Venezuelan Peasant* (Cambridge: Harvard University Press, 1971), p. 79.

[35] Herrera Campins, *op. cit*., pp. 101ff.

[36] It is unclear whether Mendoza actually took part in this New York meeting, but his visit coincided with that of the party leaders and he did participate in conversations with them. Conversation with Eugenio Mendoza, Caracas, 1978.

[37] For a description of these events, see Herrera Campins, op. cit., pp. 105-108.

[38] Cited in Stambouli, op. cit., p. 34.

[39] For a day-by-day accounting of these events, see the appendices of Salcedo-Bastardo, et al., op. cit.

[40] See Robert Alexander, The Venezuelan Democratic Revolution (Rutgers University Press, 1964), p. 59.

[41] On the immediate economic situation, see James Hanson, "Cycles of Economic Growth and Structural Change Since 1950," in John Martz and David Myers (eds.), Venezuela: The Democratic Experience (New York: Praeger, 1977). With the social turmoil in Venezuela, the oil companies began to turn their attention to the Middle East once again. The increase in oil supplies, combined with growing competition among the companies themselves, led to a prolonged period of price decline after the 1950s boom.

[42] Interview with ex-State Department official working in the Latin America section in the early 1960s.

[43] See Herrera Campins, op. cit., pp. 111-116.

[44] Juan Pablo Pérez Alfonzo, Benito Raul Losada, Carlos D'Ascoli, and other party leaders interviewed in Caracas in 1978 confirmed that fears of a possible coup attempt conditioned the responses of AD leaders in the early years of the democracy.

[45] For descriptions of the threats from the right wing of the military, see Taylor, op. cit., as well as Herrera Campins, pp. 120-125.

[46] The demands for state protection, originating in the Medina government but ignored by Pérez Jiménez, can be traced through the annual reports of Fedecamaras. Also see Alexander, op. cit., ch. 15.

[47] Significant portions of these documents are reproduced in Herrera Campins, op. cit.

[48] Ibid.

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[50] The Pact of Punto Fijo was signed on October 31, 1958 by the URD, AD, and COPEI. The signers included copeyanos Rafael Caldera and Lorenzo Fernando, adecos Rómulo Betancourt, Raul Leoni, and Gonzalo Barrios, and Jovíto Villalba from the URD. See Herrera Campins, p. 131.

[51] Ibid. For a concrete description of these arrangements, see Lynn Kelley, "Venezuelan Constitutional Forms and Realities," in Martz and Myers, op. cit., pp. 27-46.

[52] República de Venezuela, Constitución promulgada el 23 de enero de 1961 (Caracas: Senado de la República, 1961).

[53] See Kelley, op. cit., for an excellent discussion of the role of the Venezuelan Congress.

[54] Herrera Campins, op. cit., p. 135.

[55] See Article 96 of Constitución....

[56] Herrera Campins, op. cit., p. 136.

[57] Both men would continue to contribute to the resolution of intense business-government conflicts, wielding their enormous personal prestige as well as their demonstrated commitment to the new regime for the rest of the decade. They would consolidate their relationship once again in opposition to many of the policies of the Pérez administration.

[58] See Acción Democrática, Tesis Petrolera (Caracas, 1958).

[59] There are indications that the State Department was under pressure from the oil companies to "do something about Acción Democrática." But John Foster Dulles, secretary of state at the time, was more preoccupied with events in Europe. Then, within a short period of time, events in Cuba overtook any possible preoccupation with Venezuela. Interview with former high official in Creole, Caracas, 1978.

[60] See Franklin Tugwell, The Politics of Oil in Venezuela (Stanford, Calif.: Stanford University Press, 1975).

[61] See footnote 5.

[62] See Skurski and Coronil, op. cit.

[63] Herrera Campins, op. cit., pp. 101ff.

[64] See Stuart Fagen, "The Venezuelan Labor Movement, A Study of Political Unionism," (unpublished Ph.D. dissertation: University of California, 1974) and Rudolfo Quintero, Sindicalismo y cambio social en Venezuela (Caracas: Universidad Central de Venezuela, 1966) for Communist Party attempts to organize the unions.

[65] See Levine, "Venezuela Since 1958," op. cit., p. 98.

[66] Terry Karl, "The Political Economy of Petrodollars in Venezuela," (unpublished Ph.D. dissertation: Stanford University, 1981), p. 123.

[67] See Przeworski, op. cit.