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## THE WIDER WORLD

### Venezuela's Meltdown

By Diane Chido  
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Venezuela has been failing politically and economically for over a decade. Its people are voting with their feet as 7.7 million have left the country since 2014 due to political instability, poverty, shortages of food, water, and sanitation, and crumbling health care and education systems.

The United States and domestic opponents had hoped President Nicolás Maduro would be ousted in the elections held on July 28, but apparent election fraud has dashed those hopes for the moment. Let's take a look at this long-suffering South American country for some context on the recent election.



Venezuela is north of Brazil, north and east of Colombia and west of Guyana with a 1,700-mile, largely undeveloped coastline along the Caribbean Sea, as noted on the map.[1] As of June 2024, it had a population of 29.4 million, with another 7.7 million people or one-fifth of the population having left since 2013. The majority of them, 6.5 million, reside in Latin America and the Caribbean with the rest disbursed globally. As of August 2023, one-tenth of that number, or 650,000, are in the United States and it is estimated that another 2,000 leave Venezuela every day.

This is expected to increase since the latest election. The rate of displacement outpaces that of Ukraine, where there is an active war.

Despite political differences, the United States is one of Venezuela's top five most important trading partners, even after the imposition of various sanctions and the U.S. halting oil imports. About 10% of its other exports go to the U.S.

Venezuela has the world's largest oil reserves, but it is very heavy and hard to refine. To make it easier to sell to other countries, Venezuela mixes its heavier oil with lighter types of crude to balance out the quality. Due to the political instability in the country since 2015, Venezuela has had a tougher time finding

suitable imports. In March 2024, it imported only 5.5 million barrels from the U.S., down from 26 million in 2015.

Petróleos de Venezuela, S.A , the state oil company, controls the oil sector and parts of the telecommunications and media sectors. In 2008, the government nationalized the cement and steel producers as well as select companies in the milk and meat distribution sectors. In 2009, it nationalized assets in the oil, chemical, tourism, agribusiness, retail, and banking industries. In 2010, the government continued its nationalization agenda with the agriculture and construction sectors. This nationalization plus high inflation, currency devaluation, and price controls have combined to drive down foreign direct investment and production.



*House on stilts in “little Venice”*

Like many South American countries, Venezuela has a history of vast divisions between rich and poor (with little tradition of a middle class). Much of this is a carryover from the colonial period when native Spaniards ruled the region in a hierarchical system. This began in 1498 when Columbus sailed to Venezuela on his third voyage to the Americas. Later explorers would call it “little Venice” because the native dwellings on stilts resembled those in the Italian city as illustrated in the photo.<sup>[ii]</sup>

Spanish colonization began in 1521 as a quiet outpost in the empire, loosely ruled from Bogota, the present-day capital of Colombia. It was less important to Spain than other colonies because it didn’t have the gold and silver of Mexico or Peru.

The area was used largely as part of a plantation economy that relied on growing native cocoa. The economy was relied on slave labor exported from Africa.

While the colonial period was relatively stable for 300 years, it featured a rigid hierarchy that continues to haunt Venezuelan society. At the top of the hierarchy were native-born Spaniards or Peninsulares, then Spaniards born in the region, called Creoles, then the racially mixed Mestizos, and lastly the slave class of African and Indigenous peoples.

By 1808, Napoleon had risen to power in France and invaded Spain, deposing King Ferdinand and putting his brother Joseph on the Spanish throne. Inspired by Napoleon and the American Revolution against Britain, some residents of Caracas, today's capital, began the first successful rebellion by a Spanish American colony. The leaders of the revolution were Creoles who rose up against Spanish control and the Peninsulares ruling the area.

On July 5, 1811, under the leadership of Venezuelan-born Simón Bolívar, a Congress of Venezuelan leaders declared independence from Spain and created a United States of Venezuela. Although it would last only one year, beset by economic woes, internal divisions, and a devastating earthquake that struck Caracas on the Thursday before Easter, the Venezuelan republic set the stage for later full independence from Spain.

This independence lasted until 1819. In a back and forth civil war between Spain/Peninsulares and Creoles, Bolívar finally defeated the Spanish at the Battle of Boyacá in 1819. Thereafter, Bolívar formed Gran Colombia, an independent state with a union of colonies composing today's Venezuela, Colombia, Ecuador, and Panama, much like America under the Articles of Confederation, which predated the Constitution.

The ensuing years saw constant fighting between Bolívar's supporters and those of his once deputy, now rival, Francisco de Paula Santander, which led to the secession of Ecuador and Venezuela from Gran Colombia in 1830. The strong differences between Bolívar and Santander, which were mainly personal, but also about whether the nation should have a strong central government (Bolívar) or a federal system with more power to the states (Santander), a familiar tale in the Americas. This set the stage for the creation of the Liberal and Conservative parties that still dominate Venezuelan politics.

Before his death of tuberculosis, in 1830, Bolívar famously described the effort to unify South America as akin to "ploughing the sea," and went on to state, "This nation [Gran Colombia] will fall inevitably into the hands of the unruly mob and then will pass into the hands of almost indistinguishable petty tyrants."<sup>[iii]</sup>

As Bolívar predicted, the period from 1830 until 1908 was characterized by the rise of the caudillos, or strongman dictators. These dictatorships fluctuated between those who harnessed the power of the underclass (slavery was not abolished in Venezuela until 1854) and those that maintained centralized control of the government and the rigid social classes, including the authority of the church, as the vast majority of Venezuelans then and today are Roman Catholic.

Juan Gómez ruled Venezuela from 1908 until 1935 under the philosophy of “Democratic Caesarism,” claiming that only a white dictatorship was suitable for the non-white population of Venezuela. When oil was discovered in 1917, Gomez invited outside companies (many from the United States, but also from Europe) to help exploit the resource and pay off Venezuela’s foreign debt in the process. Gomez established the precedent of a dictator reaping most of the benefits of the oil wealth with some accruing to the Spanish-descended elite and little going to the non-white populace.

The story of Venezuela in the Cold War is akin to that of many South American countries, which became proxies in the larger global struggle between the U.S. and the Soviet Union. The U.S. provided support for dictatorships that maintained an anti-communist stance and supported U.S. investment in the country. The U.S., however, tended to look the other way when those dictatorships oppressed their own people. On the other hand, leftist leaders in Venezuela, while often seeking to address the problems of the underclass, were not averse to reaching out for Soviet support, particularly after Fidel Castro’s successful revolution in Cuba in 1959 and using violence to achieve their desired outcomes.

The Organization of Petroleum Exporting Countries (OPEC) was formed in 1960, under Venezuelan leadership, as an effort on the part of oil exporters to exert influence over the developed world. In 1973, new President Carlos Andrés Pérez benefited from OPEC’s success and a surge in oil prices. In reaction to the U.S.-supported military coup of Augusto Pinochet in Chile, Pérez began to further cool Venezuelan relations with the U.S. and reopen Cuban relations. Pérez also began nationalization of the oil and steel industries, which the U.S. saw as a hard shift toward communism.

Oil prices plummeted in the 1980s, and Venezuela struggled. The high oil prices during the 1970s benefited the middle class but a subsequent price collapse plunged many of this class into poverty, prompting riots and martial law enacted 1989. These booms and busts have been typical cycles in modern Venezuela.

### **Rise of Hugo Chávez**



*Fidel Castro and Hugo Chávez*

Born to a poor family in 1954, Hugo Chávez's parents were schoolteachers living in the llanos, similar to the American plains, where a familiar cowboy or rugged individualist frontiersman mythology exists. Following high school, Chávez received a scholarship to the Venezuelan Academy of Military Sciences. After college, he joined the army and quickly rose through the ranks to lead an elite paratrooper unit as a lieutenant colonel. He was troubled by the corruption he saw in the military and government. He was known for his signature paratrooper red beret. Note the parallels with the life (and attire) of Fidel Castro.[iv]

In 1998, Hugo Chávez won the presidency on a populist platform pledging to end corruption and provide better economic conditions for the poor and reduce the power of foreign influence, most notably the U.S., in Venezuela. The close personal and ideological relationship between Chávez and Castro were critical to Chávez's ability to consolidate power. Venezuelan oil would sustain the energy needs of the island nation while providing Cuba with an important ally in South America. In return for heavily subsidized oil, the Cuban government provided the Venezuelan government with thousands of doctors and health care workers.

In 1999, Chávez championed a new constitution that consolidated his power and renamed Venezuela the "Bolivarian Republic of Venezuela." In short, Chávez was declaring his intention to make good on Bolívar's aspirations of creating a powerful, *unified* South America, centered on Caracas and equated himself with the legendary hero.

In 2002, Chávez was deposed in a coup, although he regained power within 48 hours. The U.S. was left in an awkward position, having failed to condemn the

deposing of a democratically elected leader. Chávez accused the U.S. of direct involvement in the coup. General strikes in opposition to Chávez's policies triggered a recession. Chávez accused then-President George W. Bush's administration of funding the opposition. While the White House accused Chávez of orchestrating the coup, the U.S. continued to provide economic and political support to the opposition. Relations between the two countries have never recovered.

In 2012, Chávez won a fourth term as president, though he was already undergoing treatment for cancer. He died in March 2013 at 58, mourned by millions of Venezuelans who saw him as a Robin Hood-like hero who used oil revenues to improve the condition of the people by giving them subsidized prices and new social services. Opponents labeled Chávez a dictator who used extra-legal consolidation of power to carry out flawed economic policies that hindered economic growth.

In April 2013, Nicolás Maduro Moros, the leader of the Chávista political movement's United Socialist Party of Venezuela, was elected president by a narrow margin of less than 2%. With inflation running more than 50%, the National Assembly gave Maduro emergency powers for a year, and he used this power to limit profit margins. Although Maduro is Chávez's chosen successor, he does not have his predecessor's charisma nor the heroic legend Chávez created as Simón Bolívar's successor.

The government cut public spending as oil prices fell by 70% and the economy went into recession. The Maduro government devalued the currency and raised public transportation costs. All of this made him even less popular. In 2016, the opposition called for a recall referendum on Maduro's presidency two years before the end of his term. Then-President Barack Obama voiced support for the recall lending credibility to accusations that foreign interests were fueling the movement. The Venezuelan Supreme Court, packed with Maduro supporters, forced three Democratic Unity deputies to resign from the National Assembly, claiming election fraud.

This deprived the opposition of the two-thirds majority needed to pass legislation to change Maduro's economic policies. The Supreme Court also claimed that all actions taken by the Assembly while those three deputies were serving should be overturned. The Maduro government declared a 60-day economic emergency, alleging the opposition was plotting a coup. In September 2016, the National Election Commission suspended the recall.

### **Continuing Collapse**

Although it continues to have the world's largest oil reserves, Venezuela has been in a state of slow economic collapse for the past decade. As its entire fate

rests on the volatility of oil prices, Venezuela is considered a “petrostate.” Petrostates are thought to be vulnerable to what economists call “Dutch disease,” a term coined during the 1970s after the Netherlands discovered natural gas in the North Sea. In an afflicted country, a resource boom attracts large inflows of foreign capital, which leads to an appreciation of the local currency and a boost for imports that become comparatively cheaper.

This “resource curse” sucks labor and capital away from other sectors of the economy, such as agriculture and manufacturing, which economists say are more important for growth and competitiveness. As these labor-intensive export industries lag, unemployment often rises, and the country may develop an unhealthy dependence on the export of natural resources. In extreme cases, a petrostate forgoes local oil production and instead derives most of its oil wealth through high taxes on foreign drillers. Petrostate economies are then left highly vulnerable to unpredictable swings in global energy prices and capital flight.

In the case of Venezuela, while oil prices were high, Chávez made little domestic investment even in oil infrastructure and relied on oil revenues to buy imported food, consumer goods, and social programs to maintain popularity. His supporters argued that his actions were a long overdue correction to decades of income inequality and corruption in Venezuela by elites. Chávez’s industrial nationalization and rhetoric drove away foreign oil companies and Chávez replaced key oil industry personnel with people loyal to him mainly interested in enriching themselves. Even as Venezuela was reaping the benefits of high oil prices, production fell by about 25% between 1999 and 2013.

Dependent on oil for 95% of its export revenue, Venezuela went from earning around \$80 billion in 2013 to \$20 billion in 2016. In 2018, oil production reached its lowest level since 1990. Experts estimate that Venezuela would need oil prices to reach \$121 a barrel to balance its budget. Today it averages \$75 per barrel.

In January 2019, the U.S. imposed sanctions on buying Venezuelan oil and prohibited selling light sweet crude oil to the country, which is essential for the oil refinery process. This means oil could not be refined for domestic use. As a result, oil production fell 40% in 2019.

In an effort to maintain government-based programs, the Maduro government increased the printing of currency. The number of Bolívars in circulation passed 3 trillion in September 2016, up 97% in one year, and it led to hyper-inflation and a collapse of the Bolívar monetary unit. In 2015, one dollar equaled 175 Bolívars. By May 2019, a dollar was worth 250,000 Bolívars. The currency had become so worthless that it cost more to make a color photocopy of a 100,000 Bolívar bill than the bill was worth. By 2019, hyper-inflation was so extreme that



the International Monetary Fund estimated it at 10 million percent. By comparison, U.S. inflation after the Covid-19 pandemic hit a high of 9.1% in June 2022, and by July 2024 was at 3%, for an annual average of 3.9%.<sup>[v]</sup>

These economic issues coupled with international sanctions plus the repercussions of the pandemic, have fueled a devastating humanitarian crisis, with severe shortages of basic goods, such as food, drinking water, gasoline, and medical supplies. A February 2024 report from the United Nations High Commission on Human Rights urged Venezuela to address the root causes of hunger and malnutrition, citing reports that nearly 82% of Venezuelans live in poverty and 53% in extreme poverty, with incomes insufficient to access basic food. Venezuelans spend over 70% of their monthly wages just on food.<sup>[vi]</sup> In comparison, Americans spend an average of 11%.<sup>[vii]</sup>

In addition, electricity shortages have led to rolling blackouts. Chavez once extolled the virtues of Venezuela's education and health-care sectors, but now Venezuela's public schools close on Fridays to save electricity. Venezuelan children miss an average of 40% of class time because as many as 40% of teachers skip work on any given day to wait in food lines. A 2023 report on seven of Venezuela's 24 states, including the five most populated, found that 22% of students skip classes to help their parents, and, in the 15-17 age group, this is the case for 45% of girls. Increasing numbers of students are also dropping out to learn trades to help their families in the short term.

In the health-care sector. Venezuela lacks roughly 80% of the basic medical supplies needed to treat its population, according to the Pharmaceutical Federation of Venezuela. People die for lack of sufficient medicines and equipment. Patients have to pay high prices for basic supplies like gauze, syringes, and peroxide.



*Babies in cardboard boxes in hospital*

To underscore the totality of the collapse, see the photo of newborn babies sleeping in cardboard [viii]

### **Elections Bring No Hope for Change**

The May 2018 presidential election was a contentious one. Maduro was facing two main opposition candidates. Maduro's campaign pledged to continue on the path Chávez had taken. He blamed the country's economic difficulties on the United States and an entrenched domestic oligarchy intent on subverting the will of the Venezuelan people.

The election turnout was extremely low with only 46% of the electorate participating. Maduro won with 67% of the vote but complaints of election irregularities led the U.S., the European Union, and most of Latin America to dismiss Maduro's victory. Bolivia, China, Cuba, El Salvador, Iran, Nicaragua, Russia, Turkey, and Uruguay, as well as a handful of other nations traditionally opposed to U.S. foreign policy recognized Maduro as the President.

Domestically, the divide remained. In January 2019, The National Assembly invoked clauses from the 1999 constitution to remove Maduro from power and replace him with the Speaker of the National Assembly, Juan Guaido. The Supreme Tribunal of Justice declared this move by the Assembly unconstitutional and disregarded their actions as an attempted coup d'etat.

Nevertheless, 54 countries, including the United States and its allies, considered Guaido the legally acting president of Venezuela. After Guaido called on the military to revolt and began appointing members of his government, Maduro accused Guaido of being a pawn for the Americans. When members of the European Parliament attempted to meet with Guaido in his purported role as head of state, Maduro expelled them. Maduro also blocked shipments of humanitarian aid originating from the U.S. These acts led to protests that were quelled by the military.

In April 2019, Guaido and two military officers issued a call to arms and tried to mobilize military units in the capital, calling on the people to support this attempted takeover. By the end of the day, 26 senior military officers were in the Spanish embassy seeking asylum. Several pro-Guaido protests took place the following day, but they were vastly outnumbered by the Maduro counter-protests. Maduro was able to reestablish calm by using the police and military to crush the protests and arrest several members of the opposition for their involvement, stripping them of immunity and charging them with treason.

After a number of international diplomatic efforts over the next four years failed, Guido now lives in Miami in exile. The U.S. has placed increasing numbers of sanctions on Venezuela under the Obama, Trump, and Biden administrations but Maduro hangs on while Venezuelans flee. Congress has been monitoring the electoral process in Venezuela, as well as U.S. policy responses, and had intended to consider modification of its sanctions policy if the July 28, 2024 elections were conducted in a manner the international community viewed as “free and fair.

Immediately after the election Maduro claimed victory, with the national electoral authority claiming Maduro had won 5.15 million votes over the opposition candidate and former diplomat Edmundo Gonzalez’ 4.45 million. However, the opposition claims to have credible evidence that Maduro received only 2.75 million votes and Gonzalez 6.27 million. Under Venezuelan election rules, witnesses assigned to observe vote counts have a right to a copy of each voting machine's tally, but the opposition has claimed that some were prevented from observing the counts and that tallies were not printed at other polling sites.<sup>[ix]</sup>

The U.S and the Organization of American States, of which both the U.S. and Venezuela are members, along with the E.U., whose observers were blocked from evaluating the vote, have declared the results unreliable. Bolivia, China, Cuba, Honduras, Nicaragua, and Russia have accepted the official tally.

Venezuelans are protesting in the streets across the country and, although Gonzales has pleaded for no bloodshed, *thus far there have been two confirmed deaths\**. The coming days and weeks are likely to bring more, and the situation is still fluid. Those who believe in Western liberal democracy hope Maduro will be ousted and that many of the displaced Venezuelans can return home to help rebuild their country and work toward stabilizing it.

Maduro’s own declaration about the protests suggests otherwise, “An attempt is being made to impose a coup d’état in Venezuela again of a fascist and counterrevolutionary nature. We already know this movie and this time there will be no kind of weakness. ... Venezuela’s law will be respected.”<sup>[x]</sup>

*\*It appears at this writing that the current march of the petty tyrants who Simón Bolívar warned of in 1830 will continue, so only time will tell how Venezuela fares.*

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