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The cost of authoritarianism

Venezuela's broken democracy and economic hardships stand as a masterclass in institutional failure. How can the country move forward?

In the recent and troubled history of Latin America and the Caribbean, the case of Venezuela, its demolished democracy and its socio-economic tragedy can be seen as a masterclass in institutional failure. Over the last 25 years of government, there have been swathes of institutional changes championed under the 'Bolivarian revolution', which, in retrospect, have not been for the better.

With the coming to power of the revolution in 1999 by the hand of Hugo Chavez, a new constitution was sanctioned in just a few months. This new social contract strengthened the country's 'presidentialism' in a new way and was followed by a plethora of sweeping changes.

A new governance structure in the hydrocarbons sector gave Chávez more and more control over the country's oil revenues. He also took a multitude of actions against private property and legal protections, culminating in the expropriation of hundreds of production units and services, which gave rise to a new patrimonialist state. Thus, public office had now become almost synonymous with the interests of the leader and a handful of powerful groups. The legislature was weakened and successive enabling laws were passed in the same vein. By undermining the balance of powers, the Chávez and Maduro governments have seized greater and greater power to make their own rules.

Democratic and economic decline

Within a few years, the distribution of political power was changing in Venezuela. What was then held up as an imperfect but robust democracy gradually gave way to competitive and populist authoritarianism, sustained by the whimsically distributed revenue from the oil boom. But when that boom began to ease off, the regime became increasingly authoritarian and repressive. Nicolás Maduro crushed two civilian uprisings in 2014 and 2017, not to mention the severe repression and

state terrorism unleashed upon those protesting against the electoral fraud committed in July 2024.

These are the signs that Maduro's regime is clearly being protected by police and the military. The civil-military alliance that Chávez built very early into his first government and that Maduro transformed into an elitist pact is now one of the most distinctive hallmarks of his government.

As a matter of fact, Venezuela's democracy was not shot dead but, as Levitsky and Ziblatt (*How Democracies Die*) have suggested, has slowly bled out. The tragic socio-economic situation in the country has emerged as a consequence of this new set of patrimonialist (or in institutionalist language, 'extractivist') institutions.

From 1999 to 2013, Venezuela's economy grew on average by 2.5 per cent — a respectable figure, but lower than the 3 per cent achieved across Latin America in the same period, despite the country having enjoyed a much bigger boom in oil exports per capita than any other country in the region. During that time, poverty fell by 17 percentage points to 32.1 per cent of the population, but no different from elsewhere in the region, where it stood at 28.1 per cent. Chávez's ad-hoc social programmes did help, but the real pinch point in Venezuela and the wider continent was the price of commodities.

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After Chávez took control of oil revenues by seizing the state-owned company (PDVSA) and modifying agreements with global oil partners in his favour, his strategy was to spend as much as possible... and more. No wonder the country accrued such huge international debt, despite its surge in income. With oil prices so high, this boosted Venezuela's borrowing power on global markets. It was just as important to fund a national railway network (which was never completed) as a refinery in Manta, Ecuador. Checks and balances had disappeared, waste and corruption raged on.

When Maduro came to power in April 2013, Venezuela's finances were already untenable, its debt servicing situation was a huge burden, and the country no longer had an adequate liquid foreign reserve buffer. Drowning in debt and suffering from serious structural problems, the PDVSA was in a fragile condition on account of the payments it had to make to the resource fund discretionally managed by government agency

FONDEN. It fell behind on its investments and could no longer entertain the government's demands. To ensure Maduro's government could repay its immense external public debt, it had to ration supply on the foreign exchange market. Imported raw materials and finished products fell into such a short supply that the country had never seen before. Domestic production collapsed, and Venezuela entered a long seven-and-a-half-year cycle of deep depression, four of which were under hyperinflation.

Although the economy has been heading towards recovery since 2022, it is now a quarter of the size it was 12 years ago, with poverty levels reaching more than 70 per cent of the population. Social protection systems, such as minimum wage, seniority severance pay, have been rendered ineffective in practice, and public health and education have been seriously degraded. More than seven million people have fled the country in recent years; nothing could be more symbolic of the failures sown during the Chávez era and exacerbated under Maduro's reign.

The global economic sanctions in place since 2018 have isolated the country and hampered its economy even further. These could have been avoided if Maduro's government had not been so insistent on pursuing a path that has led to the country eroding its democracy and undermining human rights.

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Indeed, much more could have been prevented. If parliament had exercised its authority and civil society had taken more action, the lavish spending seen under Chavismo could perhaps have been avoided. While discussion and consensus-building among stakeholders may not be the quickest way to allocate public resources, they do encourage – and even ensure – better targeted spending. But in the case of Venezuela, executive whim and approval by decree prevailed, which led to an unprecedented waste in public spending.

Likewise, respect for the autonomy of the institutions and for the constitution would not have allowed that fiscal gap to be financed, avoiding the resulting ruinous inflationary and exchange rate spiral. Had public authorities and the justice system been able to operate independently, the country would not have such a disgraceful record of human rights violations.

Venezuela will not escape this disastrous cycle by pursuing the

patrimonialist, elitist model that it has got itself into. The main challenge now is to forge a new social pact, where a balance of power, an independent and impartial judiciary, and an accountable executive prevail. Field studies carried out by independent companies clearly show that Venezuelans are eager and ready for change. By progressively engaging civil society and strengthening its enduring role in governance in the country, the institutions needed to drive development can be built.

If there is one way the international community can offer support here, it is by helping to strengthen these bodies typical of an organised society through exchanges, programmes and resources, which will serve to influence the country's politics, society, culture and economy in the medium and long term.



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