Narrow victory for Maduro in Venezuelan elections

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Nicolás Maduro won Sunday's presidential election in Venezuela by a razor-thin margin that reflected mounting social discontent. His right-wing opponent, Miranda state governor Henrique Capriles, received 7,270,403 (49.07 percent of those voting) to Maduro's 7,505,338 votes (50.66 percent) and is demanding a recount. On April 14 Capriles had tweeted that the government was planning to "change the results." His campaign claims that at least 300,000 votes are invalid.

After the results of the vote were made public Capriles refused to accept the totals and demanded a recount. The CNE has agreed to a full recount of all the votes.

On Monday, Capriles denounced Maduro as an "illegitimate" president for proclaiming his victory before a recount, a demand that won quick support from the Obama administration in Washington.

Street demonstrations by supporters of the right took place in the wealthy area of Plaza Altamira and in other neighborhoods, resulting in some cases in clashes with security forces.

Last October, president Chavez had beaten Capriles with 54.4 percent of the vote to 44.9 for his opponent, a gap of a million votes. In the space between the two elections, 700,000 of those votes shifted to the opposition.

In several ways this election continued the trends that were in evidence in October, a move away from Chavez and Maduro by disaffected urban and working class voters. With the number of abstentions being comparable in both contests, the shift of 700,000 votes from the so-called socialist Maduro, to a candidate associated and supported by the country's oligarchy, is significant. It is an indication of discontent and frustration.

Among the states that Maduro lost was that of Bolivar, the center of Venezuelan mining and industry and the scene of repeated conflicts between the working class and the government over contracts and wages.

That in less than six months the difference between the two candidates narrowed to 1.6 percent is evidence of the profound transformation, to the detriment of the working and middle classes, that the nation had undergone in a very short period. Capriles' movement and the Venezuelan right emerge strengthened.

Chavez, suffering from what turned out to be terminal cancer, was unable to take office in January and appointed his vice president, Maduro, interim president. Chavez died on March 5 and the Elections Commission (CNE) proceeded with the new election, in accordance with the constitution.

In the course of the campaign, both candidates took a populist course. On April 9, Capriles promised an increase in wages and salaries of 46.5 percent. Not to be outdone, Maduro immediately matched that promise. Both candidates also assured Venezuelans that they favored more housing for the poor and improvements in welfare subsidies and health care. Maduro has also vowed to eliminate poverty by 2019. Those promises really depend on the ability of the government to raise resources by either taxing the wealthy, expanding oil revenues or by borrowing from international financial markets.

Social spending during the Chavez years was paid out of oil revenues, deposited in the Venezuelan Central Bank and then lent to the regime, resulting in a government deficit of 15 percent of GDP in 2012. This is normally not an unmanageable sum, were it not for the fact that Petroleos de Venezuela (PDVSA), the national oil company, is being drained of that share of revenues that it requires to maintain oil fields, and expand exploration.

In 2012, when president Chavez proposed a budget increase of 30 percent, government officials expressed confidence that the revenues from oil, conservatively predicated on a world price of US $40 per barrel, would be more than enough to offset the extra government spending. PDVSA was unable, however, to deliver on these expectations due to increasing costs of maintenance and production within the company. Pushing against that limit, government spending in 2012 actually rose by 45 percent.

As a way of conserving dollars, in 2012 Chavez, and then Maduro, began setting limits on import licenses. Given that many of the imports consist of household necessities, such as milk and basic foods, these measures created shortages and black markets.

This pressure on dollar-denominated Central Bank reserves, which exist in part to guarantee the value of Venezuelan Bolivares (Bs,) weakened the value of the Venezuelan currency and elicited a flight of capital. Those that could moved their wealth out of Bs and into dollar- and euro-denominated assets, and continue to do so. A widening gap between the dollars sold in what is euphemistically known as the parallel market (really a black market) and the government fixed price, accelerated the flight of capital out of the country.

In February, the black market dollar was selling for about 20 Bs, way above the official controlled price of 4.30 Bs. Recognizing that reserves were dangerously low, the Central Bank devalued the Bolivar to 6.30 Bs to the dollar, exacerbating an already existing inflation, and creating an explosion in the price of basic necessities, foodstuffs, construction equipment and office equipment, many of which are imported in Venezuela, and placing Venezuela at the edge of a major crisis.

The February devaluation was followed during the last week of March by an auction of 200 million dollars to stimulate imports. The government refused to disclose the terms of the exchange, which may have been as high as 12 Bs per dollar. The Maduro administration, alarmed by the continuing shortage of necessities, undertook this measure as the election approached to relieve some of those shortages. This and future auctions will be de facto devaluations, and serve as a fig-leaf to maintain the pretense of 6.30 Bs per dollar.

PDVSA sources estimate that this year, the company's ability to sustain government spending will be even more constrained. As their contract comes up for renegotiation in the coming months, oil workers are expected to press for higher wages to make up for three years of declining living standards.

In a country such as Venezuela, which is so heavily dependent on imports, each of these measures has the almost immediate effect or reducing living standards for the vast majority of the population, particularly those layers who had supported Chavez and Maduro in October 2012.

Chavez's "21st century socialism" never went beyond a balancing act between the demands of the entrenched oligarchies and the urban and rural working class. Sunday's election marks the end of that balancing act. Maduro faces the stark choice between confronting the working class, reducing subsidies, social programs and living standards, or confronting the oligarchy.

It is not difficult to predict which way he will turn: in his appearances and campaign speeches he has already signaled a turn away from Chavez's socialist rhetoric to nationalism and religion. Capping it all, over the weekend, a confident Maduro took aside Bill Richardson—the former New Mexico governor was in Caracas as part of a delegation of the Organization of American States—and spoke to him. According to Richardson, Maduro said: "We want to regularize our relationship with the United States. We want to improve our relationship."