

Venezuela on the knife's edge as economy collapses

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The free fall of the Venezuelan economy has produced an explosive situation with widespread repercussions for the Latin American region.

The Venezuelan bolivar has lost 98 percent of its value versus the US dollar since 2013, with inflation rising to roughly 600 percent by the end of 2015. Inflation is expected to double to above 1000 percent in 2016, with the IMF expecting growth to shrink by 10 percent this year after last year's fall of 8 percent.

Poverty has skyrocketed since 2013, increasing from roughly 35 percent to roughly 80 percent today. Fifty-one percent of the population is in extreme poverty, up from less than 10 percent in 2012. Food riots, malnutrition, and disease are becoming more common due to an absence of basic consumer goods.

According to a recent study from the University of Simon Bolivar, only 19 percent of the population had enough to meet their basic needs. In 2015, only 52 percent of the population could afford to buy vegetables, 46 percent could buy sugar, and 32 percent could buy cheese and coffee. Nearly 20 percent of Venezuelans cannot even afford to buy rice.

The country's infrastructure is collapsing. A shortage of electricity led the government to announce forced electricity blackouts beginning in April, and state-run industries are now closed five days a week in an effort to save energy. Last week, Venezuela's largest beer producer, Empresas Polar, was forced to shut down production due to a lack of supplies.

The worsening economic situation has produced widespread opposition to the "Chavista" government of the Socialist Party of Venezuela (PSUV), which has been in power since Hugo Chavez's first term as president began in 1999.

The PSUV government's shortsighted and unplanned economic model was based on using high oil prices to

enrich a layer of what is known as the "boliburguesia" [Bolivarian bourgeoisie] while buying political stability through moderate increases in social spending. When this nationalist program buckled under the impact of the international collapse in oil and commodity prices, the PSUV cut social spending and relied increasingly on state violence against strikes and protests.

Last week, for example, President Nicolas Maduro deployed the military to the streets of Maracaibo along the Northwest coast to quell riots in which dozens of shop windows were smashed and blockades set up. In a March poll, Maduro enjoyed the support of only 26.8 percent of the population—a figure that has likely fallen in the last two months.

However, only 57 percent of those polled said they would vote to have Maduro removed, an indication that hostility to Maduro does not equate to support for the right-wing opposition. The CIA supported Democratic Unity Roundtable (MUD) is widely disliked by Venezuelan workers, who recall the role of leading opposition figures in murdering hundreds of workers and youth during the 1989 *Caracazo* protests, as well as for their support for the US-backed coup attempt of April 2002 in which dozens of demonstrators were killed.

The opposition recently launched its official campaign to remove Maduro from office. On May 2, they delivered almost 2 million signatures to the National Election Institute (INE), well above the 200,000 required, in a petition to call for a recall referendum against Maduro. Once the petition is accepted, the opposition would be required to collect 4 million signatures to force a referendum. If the referendum is held and if Maduro is recalled before the date at which Maduro completes the fourth year of his six-year term, new elections will be held. If a

referendum is held and Maduro is recalled *after* the cut-off date, Maduro's vice-president Aristobulo Isturiz would take power until the 2019 elections.

Setting the stage for a constitutional crisis similar to that unfolding in neighboring Brazil, this is further complicated by the fact that the commencement of Maduro's term in 2013 is disputed. While Maduro began serving as acting president in January due to Chavez's poor health, his official term arguably began after the March elections.

The opposition has denounced the Chavez government's INE as filled with government sympathizers and has called for massive demonstrations if the recall process is halted or prolonged by the INE. In reply, Maduro stated he would call for large counter-protests to what the government describes as a "coup."

Meanwhile, the Maduro government has significantly depleted currency and gold reserves and has prioritized paying off debt at the expense of consumer goods importation, which has produced scarcities for millions of Venezuelan workers.

There are increasing concerns that Venezuela will be unable to meet bond payments, triggering a domino effect with repercussions across Latin America and the world.

The Center for Strategic and International Studies published an article on May 2 titled "Venezuela's impending collapse," in which the US government-linked think tank noted that Venezuela must meet \$10.5 billion in debt servicing costs this year. The article notes that the government will have to squeeze imports in order to service its debt, which "raises the question of whether the government could endure further shortages in basic supplies. Given the choice between default and political suicide, the Maduro government would likely choose default."

In response to the crisis, the United States is engaged in operations aimed at removing Maduro without triggering a social explosion. Speaking in April, Secretary of State John Kerry told the *Miami Herald*: "We are prepared to help Venezuela get back on its feet economically. But we've got to have an executive authority in Venezuela which is ready to respect the people and respect the rule of law."

Such "help" from the United States would have disastrous implications for Venezuelan workers and

youth. After over a century of imperialist subjugation, South America is subject to a renewed pivot by the US to the region, aimed at eliminating Chinese influence and providing new exploitative opportunities for Wall Street and US corporations. Nothing, not the least military invasion, is off the table for US imperialism in its attempts at world domination.



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