

Venezuelan government backs off of demonetization scheme after mass rioting

Bill Van Auken
21 December 2016

The Venezuelan government of President Nicolas Maduro has been forced to back down on its catastrophically bungled plan to abruptly withdraw 100 bolivar notes from the economy after the measure touched off violent protests over the weekend that left four people dead and hundreds wounded and hundreds more arrested.

The worst of violence was in Ciudad Bolivar, the capital of the eastern state of Bolivar, which borders Brazil and Guyana. Hundreds of shops, stores and warehouses were looted in a violent upheaval that was met with even more violent repression by security forces.

In the aftermath of the upheaval, the government has dispatched 3,000 army troops to the state to quell any further unrest.

The clashes followed Maduro's announcement on December 11 that Venezuela's 100 bolivar bill, which was Venezuela's largest denomination (though worth only about 14 cents US) and accounted for 80 percent of the country's currency, would be withdrawn from circulation within 72 hours.

The abrupt measure, ostensibly aimed at suppressing currency smuggling and speculation against the value of the bolivar, left Venezuelans scrambling to deposit the notes or change them into other denominations. Long lines formed outside of banks with people carrying large bundles of the nearly worthless bills and waiting as long as 12 hours to deposit them.

The government had initially indicated that it would gradually withdraw the 100 bolivar notes and replace them with 500, 2,000 and 20,000 bolivar bills--an effective recognition of the country's descent into hyperinflation with the annual inflation rate for 2016 projected at between 500 and 700 percent. But then it instead announced the 72-hour deadline and failed to

produce the new bills. Maduro provided the improbable explanation that "special cargo planes" contracted by the government to bring the new currency into the country had been "sabotaged," supposedly as part of the "economic warfare" being waged by Washington against his government.

The population was left with no way to convert their holdings in 100 bolivar notes, while ATM machines continued to spit out the currency, even as the deadline for it becoming worthless loomed.

According to estimates, fully one third of the Venezuelan population has no savings or checking accounts and holds its wealth largely in the rescinded bills. This is overwhelmingly the case among the most impoverished sections of the population and those working in the so-called informal economy.

The popular reaction was the most explosive in more backward and impoverished areas of the interior, where access to the formal banking system is more limited and the impact of the measure more draconian.

The currency maneuver came on top of the spiraling rise in consumer prices, widespread shortages of basic commodities and a wave of layoffs in both the public and private sector as Venezuela's economy continues to reel under the impact of low oil prices. It is estimated that the economy will have contracted by 13.7 percent in 2016.

In the face of the violent unrest, the Maduro government backed off from its 72-hour deadline, extending the period for turning in the 100 bolivar notes until January 2. Initially, it also extended a closure of the country's border with Colombia until that date, but then was compelled to change that policy as well in the face of protests from Colombia and people living in the border area.

The climb-down by the government has not ended the

crisis, however, as the uncertainty over the currency has led many businesses to refuse to accept it, thereby leaving a large part of the population, already facing poverty and hunger, even more destitute on the eve of the Christmas holidays.

Expressing the contempt for the suffering that its policies have caused as well as its turn toward greater repression, the government has charged that those involved in the unrest and looting were organized by the extreme right. Ruling PSUV (United Socialist Party of Venezuela) legislative leader and former military officer Diosdado Cabello described those who protested as “terrorist bands,” which he claimed were acting on the orders of the extreme right-wing Voluntad Popular party and the Obama administration.

The government’s contention that the abrupt currency maneuver was an effective means of countering smuggling and speculation is absurd on its face. The same conditions that allowed these operations to flourish with 100 bolivar notes will prevail once the new higher-denomination bills are introduced. Moreover, those who control these operations consist largely of elements within the government itself, together with layers of the so-called *boliburguesia*, the new wealthy elite that has enriched itself from connections to the government and finance capital.

The government’s policies have driven the approval ratings for Maduro to the lowest level of any head of state in the hemisphere, barely 21 percent. He remains in power largely due to the population’s equal disdain for the right-wing opposition organized in the MUD (Democratic Unity Roundtable), as well as continuing support from the military, which has always served as the backbone of the so-called Bolivarian Revolution initiated by the late former president, Hugo Chavez.

Having suffered a crushing defeat in legislative elections a year ago, the PSUV government has essentially bypassed the National Assembly, using the courts to impose its policies. Maduro and his allies also have managed to sideline a petition drive earlier this year to secure a recall referendum. Under Venezuelan law, if such a referendum is postponed until after January of next year, it would result not in a new election, but only in Maduro’s replacement by his vice president. If the government is able to continue staving off a referendum indefinitely, which now appears likely, the next election would be held in 2018.

The level of popular hostility to the government and its increasingly reactionary policies have forced even layers of the pseudo-left that had earlier embraced *chavismo* as a supposed path to socialism to distance themselves from Maduro.

Among them is Marea Socialista (Socialist Tide), whose politics are promoted by the Pabloite International Viewpoint as well as the International Socialist Organization in the US.

Having formally left the PSUV last year in order to run its own candidates in the legislative elections, Marea Socialista has now joined with elements describing themselves as representing “critical *chavismo*” in issuing a manifesto calling for the building of a “new political reference” and a “new ethical alternative.”

In addition to this pseudo-left tendency, those issuing the manifesto include a number of former ministers in the Chavez government along with military officers. It calls for a “defense of the constitution” and the “reconstruction of a common national project.”

In other words, in the face of the exposure of the bankruptcy of bourgeois nationalism in the form of the corrupt and authoritarian capitalist government created by *chavismo*, these elements are seeking to create a new political instrument to contain the growing social upheavals in Venezuela and to once again subordinate the Venezuelan working class to the bourgeoisie, the capitalist state and the military.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact