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## Book Review

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### National Capitalism in Venezuela

Luis Vallenilla, *Oil: The Making of a New Economic Order. Venezuelan Oil and OPEC*. McGraw-Hill, New York, 1975, \$19.75

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The first part of this somewhat superficial study of Venezuelan oil deals with the establishment of the industry in the late nineteenth century, its interaction with politics in the 1930s and the post-war expansion of production during which Venezuela was able to secure a fifty-fifty tax-sharing agreement with the oil companies. The second part focuses on the decline in importance of Venezuelan production during the 1960s and 1970s. This was due partly to the rise of production elsewhere. But Vallenilla also attributes it to the "anti-capitalist petroleum theory" (p. 113) propounded by Pérez Alfonso<sup>1</sup> in the 1960s which led to the denial of further concessions to the oil companies. It seems more likely, however, that the decline resulted from external factors combined with the inability of the Venezuelan state oil corporation (CVP) to discover more oil.

The third part of the book suggests policies to make Venezuela an industrialised country through state capitalist ventures: including nationalisation and investment in gas, petrochemicals and a petroleum fleet. But the promotion of capitalist production in Venezuela requires, according to Vallenilla, a "new world economic order" in which dependency is replaced by interdependency. OPEC should use its bargaining power to ensure the incorporation of oil-rich countries into the world capitalist system on a more equitable basis.

The author, a lawyer-economist, was in charge of the Venezuelan Development Corporation and Central Bank until 1964. He headed the oil committee of the Chamber of Deputies up to 1964 and is now president of CAVENDES, the largest private financial company in Venezuela. More than analysis, Vallenilla's book is advocacy. As we would expect from someone with such a career, he advocates government financing of private production and joint state and private (indigenous and foreign) capitalist ventures. The rationale for this strategy is nationalism, bland in content but impassioned in

delivery, which curiously dissolves local class divisions while subsuming the health of Venezuelan capitalism under the well-being of the world economic system. This effort to exploit nationalist sentiment is probably too transparent either to mobilise or to pacify Venezuelan workers and farmers.

The study makes no mention of class conflict, although references are made to the poverty, unemployment, malnutrition and misery of the Venezuelan people. Contradictions abound in Vallenilla's descriptions of popular consciousness. At one point he says that Venezuelans possess broad awareness about the oil industry and at another that they are not an awakened public. His rhetoric, which might draw applause in the Chamber of Deputies, leans heavily on anti-foreign sentiment (beware the slick tricks of Yankee contractors) laced with disdain for the State and for 'politics'. He testifies to his belief in private enterprise, planning, efficiency and technical solutions. The State should fund and defend national capitalists while keeping 'politics' separate from business. The study lacks any analysis of the obstacles to efficient planning and technical solutions. The author does not go beyond noting that Venezuelan plans "leave a lot to be desired insofar as their elaboration and execution is concerned, for reasons beyond the scope of these comments." (p. 272).

Vallenilla goes on to advocate the building of Venezuelan (and other OPEC) multinational corporations as joint public-private ventures. Indigenous productive capitalists can thus gain membership in the international bourgeoisie through their participation in these corporate institutions. The thrust is towards integration into the international capitalist system by means of locally-based multinationals which would displace existing corporations in some spheres, all this being made possible through OPEC's control over essential oil resources. For such a strategy to work, poor countries must unite to end dependency, unequal terms of trade and exclusion from the markets of the West. Vallenilla plays down the divisions between East and West and emphasises instead the split between developed and underdeveloped countries.

In his treatment of the factors in the new world order which would give national capitalists from today's underdeveloped countries a place in the sun, Vallenilla offers two remarkable insights. First he discusses the economic integration of the Soviet bloc

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<sup>1</sup> Among the oil studies of Pérez Alfonso are *The Monetary Question*, *The Trade Union Clause, Venezuela and Its Oil*, *Outline of a Policy*, *Oil Policy*, *Oil: Essence of the Earth*, *The Taz Amendment*, *Public Expenditure and Oil*, *The Oil Pentagon*, *Oil Reserves*, *Service Contracts*, and *Oil and Dependency*.

with OECD and the use which the USSR makes of service contracts, which, he argues, provides a model for Venezuela and other developing countries seeking 'interdependency'. The Soviet Union needs technology and has entered into trade competition in order to secure foreign exchange to pay for it. The USSR is potentially OPEC's ally, Vallenilla suggests, because it has sufficient energy and minerals within its borders. Therefore it is not threatened by OPEC demands for higher oil prices. If the West seriously threatens OPEC territorial security, then the USSR and China are attractive counterweights.

Second, Vallenilla makes use of dependency theory and distills it down to its essentials: the problem is poor terms of trade. Commodity cartels can force improvements in prices. Inefficiency can be overcome by more dedicated planning, nationalism, and an increase in political will. The moral and security issues (i.e. poverty and war) can be solved by establishing a rational world economic system. The study, like much dependency literature, never comes to grips with the practical mechanism by which labour power is exploited, even though the wealth of the 'North' is recognised as the corollary of the poverty of the 'South'. Somehow the prosaic details are left out and we are presented with Vallenilla's 'solution' in the form of national capitalism, international in scope but miraculously devoid of any tendency toward domination or imperialism.

The study raises provocative issues, and provides interesting data. But it fails to get down to rigorous analysis. Why have CVP and other state oil agencies been so backward and inefficient? It is not satisfactory to find this state of affairs deplorable and "incomprehensible". Had Vallenilla come to grips with this issue, we might be better equipped to understand why the Venezuelan government signed Technical Assistance contracts when oil was 100 per cent nationalised in January 1976, giving the companies some 19 cents a barrel in exchange for the provision of paltry technical services. While full details of these still secret contracts have yet to emerge, it appears that the Venezuelan government agreed to terms overwhelmingly favourable to the oil companies merely in order to secure a guaranteed market for some 1,000,000 barrels of crude oil a day. Either the government participated in a 'give-away',

or market access for hydrocarbons is in effect being bought through payment of what amounts to a tariff (the 19 cents) and a deterioration in Venezuela's capacity to provide its own services. If the latter, we can only conclude that the central argument of Vallenilla's book—that bargaining strength can be genuinely increased by withholding oil from Western markets—is seriously at fault.

In recent months OPEC has shown itself incapable of imposing a uniform crude oil price. Nor has it been able to keep the price of oil high enough to counteract inflation in the price of goods imported into the oil-exporting countries. Equipment has been costing the oil states from four to six times—or even more—what it is worth. Those in charge of OPEC member states have been unable to develop a local production base, and inflation, artificially raised price levels for development contracts and sheer waste of money have swallowed up a substantial proportion of OPEC's revenues. In short, the real value of the current price of 34° API Arabian Light crude is between \$5 and \$6 at 1972-73 rates—the market price in June 1973 before the October war, the embargo and price escalation. Why has OPEC foundered? Why does it take the CIA to insist that OPEC member states "by 1982 or 1983 (will find that) sizeable price increases are inevitable"<sup>2</sup>? Vallenilla takes us nowhere near answering these questions. Just as he sheds no light on what is actually happening to OPEC, he fails to illuminate the working of Venezuelan society which has exported oil for over 60 years and is now engaged in the *reverse* transfer of oil technology.<sup>3</sup>

The general rejection of political and class considerations, the use of the nation or country as the unit of analysis and the bland assumption that policy which seems technically reasonable will be pursued—these methodological dispositions lead Vallenilla to ignore the reasons for Venezuelan underdevelopment and for OPEC impotency from which continued dependency follows.

2 United States Central Intelligence Agency, *The International Energy Situation: Outlook to 1985*, Government Printing Office, Washington DC, as quoted in *Petroleum Money Report*, April 29, 1977.

3 Compare the excellent treatment of current Venezuelan politics by James Petras and Morris Morely, 'The Venezuelan Development 'Model' and US Policy,' *Development and Change*, Vol 7, No 4, October 1976, pp 391-412.

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## Books received

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- Ignachy Sachs, *Pour Une Economie Politique du Développement*, Flammarion, Paris, 1977
- David S. Clifton Jr. and David E. Fyffe, *Project Feasibility Analysis: A Guide to Profitable New Ventures*, Wiley, Chichester, 1977. £14·00/\$24·00
- Liebenberg, Rootman and van Huyssteen, *The South African Landscape*, Newnes-Butterworths, Sevenoaks, 1977. £9·95
- R. J. Bromley, *Development Planning in Ecuador*, Latin American Publications Fund, London, 1977. £2·80
- John P. Hill and Franz J. Mönks (eds.), *Adolescence and Youth in Prospect*, IPC, Guildford, 1977. £6·80
- ODI, 'Stimulating Local Development', Agricultural Administration Unit Occasional Papers, ODI, London, £1·00
- Tata Institute of Social Sciences, *The Indian Journal of Social Work*, vol. XXXVII no. 4, January 1977
- Pedro-Pablo Kuczynski, *Peruvian Democracy under Economic Stress*, Princeton University Press, Princeton NJ, 1977. £12·70
- Ralph Lansky, *Handbook of Bibliographies on the Laws of Developing Countries*, Ubersee Institute, Hamburg 1977. DM 30