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THESIS

**VENEZUELA'S CORRUPTION ON THE RISE:
FOURTEEN YEARS OF CHÁVISMO**

by

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September 2016

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CHÁVISMO**

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ABSTRACT

This thesis seeks to answer two related questions regarding corruption and Chávismo. First, what factors contributed to the rise in Venezuela's Corruption Perception Index from 2000–2014? Second, what does Venezuela need to do to reverse that trend? The thesis examines Hugo Chávez's populist policies as well as two leading factors for the rise of corruption—weak governance and oil over-dependence practices—and analyzes the Resource Curse theory and Cháveznomics. Chávez's populist policies created neo-patrimonial networks, increasing the intensity of corrupt practices between specific sectors of citizens and political elites. Cháveznomics policies also created a mismanagement of windfall oil rents, establishing a Rentier State for Venezuela. The Rentier State established corrupt patronage networks with state industries that remained intact under the high oil prices during 2000–2014. The thesis also conducts theoretical analysis of anti-corruption methods while considering Venezuelan societal elements of culture, political will, and international integration. State-center anti-corruption strategies prove to be an appropriate method for Venezuela's societal elements and unique corruption environment. The proposed state-center strategies incorporate a three-prong anti-corruption approach, including political, economic, and social accountability reforms with market-friendly social democratic policies that build political will and civic engagement.

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LIST OF ACRONYMS AND ABBREVIATIONS

AD	Acción Democrática
CICIG	Comisión Internacional Contra la Impunidad en Guatemala
COPEI	Comité de Organización Electoral Independiente
FONDEN	National Development Fund
IEP	Institute of Economics and Peace
IMF	International Monetary Fund
IO	International Organization
MBR 200	Revolutionary Bolivarian Movement 200
MVR	Fifth Republic Movement
NACS	National Anti-Corruption Strategies
NGO	Non Governmental Organizations
OAS	Organization of American States
PDVSA	Petróleos de Venezuela S.A.
PFM	Public Finance Management
SAFONACC	Autonomous National Fund for Community Councils
SAI	Supreme Audit Institution
UN	United Nations

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I. INTRODUCTION

We are being called to save Venezuela from this immense and putrid swamp in which we have been sunk during forty years of demagoguery and corruption.

—Hugo Chávez Frías, 1999 Inaugural Speech¹

A. MAJOR RESEARCH QUESTIONS

This thesis seeks to answer two related questions regarding corruption and *Chávismo*. First, what factors contributed to Venezuela’s rise in its Corruption Perception index from 2000–2014? Second, what does Venezuela need to do to reverse that trend?

Corruption can destroy societies by risking their citizens’ livelihood and by eroding trust in a system that is meant to protect their interests. Transparency International states that “corruption corrodes the social fabric of society” and a “distrustful or apathetic public can then become yet another hurdle to challenging corruption.”² Generally, corruption is a complex multifaceted issue that has several definitions; essentially, corruptive actions taken for private gain at the expense of the public. This thesis specifically defines corruption, in accordance with Transparency International’s definition, as “the abuse of power for private gain.”³

Make no mistake, corruption was entrenched in Venezuela’s history before Hugo Frías Chávez was born, and the previous quote shows how he rose to power on an anti-corruption platform. So how did Venezuela’s corruption perception increase in the 14 years of Chávez’s presidency and how can that shift? Gustavo Coronel noted that, as early as 1813, Venezuelan political leaders recognized corruption within their polity and

¹ Anthea McCarthy-Jones, “‘Ploughing the Sea’ in a World of Regions: Venezuela’s Role in Reviving Latin American Regionalism for the Twenty-First Century,” in *Democracy, Revolution, and Geopolitics in Latin America: Venezuela and the International Politics of Discontent*, ed. Luis Fernando Angosto-Ferrández, Routledge Studies in Latin American Politics (New York: Routledge, 2014), 48.

² “What Is Corruption?,” Transparency International, accessed January 30, 2016, <http://www.transparency.org/what-is-corruption/#define>.

³ “How Corrupt Is Your Country?,” Transparency International, (2014), <http://www.transparency.org/cpi2014/infographic>.

incorporated harsh penalties to quell motivations.⁴ Coronel goes on to highlight that, during the early 20th century, corruption existed in the most concentrated parts of military dictators' inner circles. Two factors in Venezuela's history intensified corruption in Venezuelan politics. First, in 1954, was the birth of a charismatic leader, Hugo Chávez Frías.⁵ Second, four years later, was the initiation of democracy.⁶

Venezuela was armed with a new system of democratic government, *Punto Fijo*, which worked to subdue party competition that threatened democracy's success. Punto Fijo created a system where two main parties—mostly party leaders—shared spoils of the state.⁷ The clientelist network created enriched opportunities for more corruption and also resulted in a vast income inequality gap that, in turn, produced overwhelming feelings of alienation of the masses.⁸ Citizens' feelings that their government has abandoned them fueled the mobilization and the later oil bust of the 1980s intensified that. Then, the decrease in oil revenues crippled the financial system causing severe austerity measures to social programs, which disproportionately affected the poorest segments of society.⁹ The contentious environment of the poor set the stage for Hugo Chávez and his “radical” approach to rid the country of corruption from the previous political elites. His campaign as the alternative to the political status quo had promises of eradicating corruption. Unfortunately, Chávez's model of governance, Chávismo, increased the opportunity for corruption within his administration, leading to a disappointing blow for Venezuela's populace who took a risk on him as their liberator.

Despite his humble beginnings, Hugo Chávez quickly became a political hero. Hugo Chávez Frías was born in Sabaneta de Barinas, 525 kilometers from Caracas, on

⁴ Gustavo Coronel, “The Corruption of Democracy in Venezuela,” Cato Institute, March 4, 2008, <http://www.cato.org/publications/commentary/corruption-democracy-venezuela>

⁵ Cristina Marcano and Alberto Barrera Tyszka, *Hugo Chávez sin Uniforme: Una Historia Personal*, ed. Cynthia Rodríguez (Mondadori, S.A.: Random House, 2004), 40.

⁶ Ronald D. Sylvia and Constantine P. Danopoulos, “The Chávez Phenomenon: Political Change in Venezuela,” *Third World Quarterly* 24, no. 1 (February 2003): 64, <http://www.jstor.org/stable/3993630>.

⁷ Ibid.

⁸ Ibid., 65.

⁹ Ibid.

July 28, 1954.¹⁰ He was the second of six boys of Hugo de los Reyes Chávez and Elena Frías de Chávez.¹¹ His family came from an underprivileged background; his father taught school in Barinas.¹² Along with his older brother, Hugo Chávez was raised by his paternal grandmother in order to lessen the burden on the nuclear family.¹³ In 1971, Chávez entered the military academy where the teachings of Venezuelan liberator, Simón Bolívar, shaped the revolutionary spirit that inspired his Bolivarian Revolution.¹⁴ The *Academia Militar* experienced reforms in 1970 to become a university-equivalent institution with training focused on leadership themed in the “mystique of honor, discipline, and self-sacrifice.”¹⁵ According to Harold Trinkunas, the curriculum created officers with a nationalist spirit using the teachings of Simón Bolívar along with “populist, egalitarian, and ultimately [an] utilitarian perspective toward democracy.”¹⁶ Chávez’s generation of officers had a superior attitude compared to civilian politicians, a notion, according to Brian Loveman, derived from the fact that for military officers, in Latin America, educational opportunities were of the highest quality in the state.¹⁷ This sense of superiority legitimized the military as the only viable institution to provide pressure on the seemingly corrupt government.

Chávez military career involved attempts to handle Punto Fijo administrations’ corrupt practices through force. During Carlos Andrés Pérez’s presidency, in the late 1980s, the public’s perception of a corrupt government culminated because of how Punto Fijo’s system concentrated spoils to the political elites. The public saw the government as

¹⁰ Marcano and Tyszka, *Hugo Chávez Sin Uniforme: Una Historia Personal*, 36.

¹¹ Ibid.

¹² Marcano and Tyszka, *Hugo Chávez Sin Uniforme: Una Historia Personal*, 36.

¹³ Marcano and Tyszka, *Hugo Chávez Sin Uniforme: Una Historia Personal*, 36.

¹⁴ Harold A. Trinkunas, *Crafting Civilian Control of the Military in Venezuela : A Comparative Perspective* (Chapel Hill, NC,: University of North Carolina Press, 2005), 177, <http://site.ebrary.com/lib/alltitles/docDetail.action?docID=10273445>.

¹⁵ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 177.

¹⁶ Ibid., 178.

¹⁷ Brian Loveman, *For La Patria: Politics and the Armed Forces in Latin America* (Wilmington, Delaware: A Scholarly Resources Inc., 1999), 15.

“weak and exhibit[ing] clear signs of corruption.”¹⁸ Resentment toward the government’s corruption had also grown throughout the military. The military disenchantment grew during their participation in suppressing protests throughout Venezuela on February 27, 1989. *Caracazo*, as the protests were called, were revolts accomplished throughout the state over the most recent austerity measures of the Pérez administration, including increases in food and oil prices and decline in social programs.¹⁹ According to Julia Buxton, the austerity measures “exacerbated structural and macroeconomic imbalances in the economy and had a critical impact on living standards, which had already witnessed a substantive deterioration.”²⁰ The government then activated the military to suppress the movement through coercive means; Many military members were torn because they sympathized with the movement.²¹ By the time the military engaged in stopping the riots, there were anywhere from 372 (official record) to 2,000 (unofficially) people killed in Caracas alone with thousands more wounded.²² From that moment, according to Retired Lieutenant Colonel Jesus Urdaneta, the only viable means to initiate change was through force.²³ Margarita López Maya explains that Caracazo had troops in leadership positions at the time of the riots, that felt “shame, indignation, and a sense of having defended the wrong side,” while the riots themselves exposed the “weakness of political institutions.”²⁴ Caracazo laid the legitimatization necessary for disgruntled military members including Hugo Chávez to stage a coup in 1992.

¹⁸ *The Hugo Chavez Show*, directed by Ofra Bikel, PBS Frontline, 2008, <http://www.pbs.org/wgbh/pages/frontline/hugochavez/view/>.

¹⁹ Julia Buxton, “Economic Policy and the Rise of Hugo Chávez,” in *Venezuelan Politics in the Chávez Era: Class, Polarization and Conflict*, ed. Steve Ellner and Daniel Hellinger (Boulder, CO: Lynne Rienner Publishers, 2003), 113; Patricia Márquez, “The Hugo Chávez Phenomenon: What Do ‘The People’ Think?,” in *Venezuelan Politics in the Chávez Era: Class, Polarization, and Conflict*, ed. Steve Ellner and Daniel Hellinger (Boulder, CO: Lynne Rienner Publishers, 2004), 201.

²⁰ Buxton, “Economic Policy and the Rise of Hugo Chávez,” 114.

²¹ *The Hugo Chavez Show*.

²² Richard Gott, *In the Shadow of the Liberator: Hugo Chávez and the Transformation of Venezuela* (New York: Verso, 2000), 46.

²³ *The Hugo Chavez Show*.

²⁴ Margarita López Maya, “Hugo Chávez Frías: His Movement and His Presidency,” in *Venezuelan Politics in the Chávez Era: Class, Polarization and Conflict*, ed. Steve Ellner and Daniel Hellinger (Boulder, CO: Lynne Rienner Publishers, 2004), 76, 77.

Members of the Venezuelan armed forces anti-corruption methods involved removing political officials through force. Venezuela's economy collapsing and the public enraged with the government established the foundation for the military to take action in 1992. A group of military officers with political views created the *Movimiento Bolivariano Revolucionario 200 (MBR 200)* as a means to participate in change for the country. The group consisted of military men who formed goals based on the problems of the country. Lieutenant Colonel Urdaneta reminisced that the group "wanted to liberate Venezuela from corruption and inequality."²⁵ On February 3, 1992, the coup began with key locations hit including the Presidential Residence "*La Casona*," *Miraflores* Place, *Generalísimo* Francisco Miranda air base, military headquarters at *Fuerte Tiuna* army barracks, along with four major cities' government and economic installations.²⁶ Despite the successful objectives of obtaining control of these places, the coup did not meet the most crucial ambition, to remove President Pérez from office. The coup resulted in Hugo Chávez's incarceration.²⁷ Hugo Chávez's aim had been to "liberate" Venezuela from the political elites that undermined the country; ironically, his television address assumed blame for the defeat and a call to his compatriots to lie down arms.²⁸ Chávez famous words of "*Por Ahora*" or "for now" opened the future to what would be his "Bolivarian Revolution."²⁹ The focus was on the redistribution of wealth to the poor and ridding the state from the "immense and putrid swamp...[of] corruption."³⁰ Teodoro Petkoff claimed "[his] words fell as rain on dry soil."³¹ Hugo Chávez's popularity rose at that moment and gave him a chance to change the political system with his election in 1998.

²⁵ *The Hugo Chávez Show*.

²⁶ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 156.

²⁷ *The Hugo Chavez Show*.

²⁸ *The Hugo Chavez Show*.

²⁹ *The Hugo Chávez Show*.

³⁰ Anthea McCarthy-Jones, "'Ploughing the Sea' in a World of Regions: Venezuela's Role in Reviving Latin American Regionalism for the Twenty-First Century," in *Democracy, Revolution, and Geopolitics in Latin America: Venezuela and the International Politics of Discontent*, ed. Luis Fernando Angosto-Ferrández, Routledge Studies in Latin American Politics (New York: Routledge, 2014).

³¹ Teodoro Petkoff, interview by FRONTLINE, , accessed May 16, 2016, <http://www.pbs.org/wgbh/pages/frontline/hugoChavez/interviews/petkoff.html#poor>.

During Chávez's incarceration from the failed coup in 1992, the ideals of the movement began to shift from a violent revolt establishing to a peaceful democracy. The principles of the Bolivarian movement began to take a more democratic approach, abandoning violence as a means to promote change.³² Individuals like José Vicente Rangel, Edmundo Chirinos, and Luis Miquilena assisted in Chávez's transformation from military subversive to presidential candidate. One method was the transformation of the MBR 200 into the *Movimiento Quinta Republica* (MVR) political party.³³ Chávez was then able to enter political office in 1998 with a landslide victory, becoming, at 44 years old, the youngest Venezuelan president ever.³⁴ According to Patricio Silva, "the population is even disposed to elect [a] ex-putschist military [leader]... and put their hopes on a 'strong man' who is expected to eliminate criminality and corruption and to provide economic prosperity that traditional democratic forces have so far been unable to achieve."³⁵ The election of 1998 solidified the expectation that an outsider could fix corruption in Venezuela rather than the old political elites.

The victory in 1998 saw the start of a 14-year presidency of Hugo Chávez and a new populist political system that removed all remnants of the previous political system and replaced it with the Chávismo political model. He created a new constitution, centralized power in the executive branch, and created a myriad of social programs to improve the situation for the poor.³⁶ There were notable changes in the country's democratic institutions as well as its international position. Chávez removed the senate, extended presidential term limits to six years, gained decree powers to initiate laws, and politicized all economic and military institutions.³⁷ Internationally, Venezuela distanced

³² *The Hugo Chavez Show*.

³³ Sylvia and Constantine P. Danopoulos, "The Chávez Phenomenon: Political Change in Venezuela," 66; Marcano and Alberto Barrera Tyszka, *Hugo Chávez sin uniforme: una historia personal*, 41.

³⁴ Marcano and Tyszka, *Hugo Chávez sin uniforme: una historia personal*, 31.

³⁵ Sylvia and Danopoulos, "The Chávez Phenomenon: Political Change in Venezuela," 66.

³⁶ Kirk A. Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective* (New York: Cambridge University Press, 2010), 18, 20.

³⁷ Gustavo Coronel, "Corruption, Mismanagement, and Abuse of Power in Hugo Chávez's Venezuela," *Development Policy Analysis* (Washington, DC: CATO Institute, November 27, 2006) 4; Kirk A. Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective* (New York: Cambridge University Press, 2010) 17.

itself from the United States and created alliances with Cuba and Russia with the goal of becoming an influential regional player.³⁸ However, despite the strong rhetoric and radical programs attempted, Jon Lee Anderson notes that a decade under Chávez's presidency is difficult to comprehend because "we do not see huge changes, [and] most of his inventions or missions to elevate social ills at home have not worked."³⁹ Thus, perceived corruption has risen, necessitating further study.

B. SIGNIFICANCE

Because corruption is such a complex concept, it is important to comprehensively examine it before addressing how it has affected Venezuela. Transparency International defines corruption as "the abuse of entrusted power for private gain."⁴⁰ Alina Rocha Menocal et al. defines corruption as "the misuse of resources or power for private gain."⁴¹ Gustavo Coronel defines government corruption as "the violation of the public interest for personal or partisan gain."⁴² Each definition contains a core similarity, summed up as "the abuse of power for private gain."⁴³ Transparency International categorizes corruption into three broad categories: grand, bureaucratic, and systematic.⁴⁴ These levels identify to what extent or capacity corruption occurs; grand corruption occurs at the highest levels of political office, bureaucratic corruption at the government or non-governmental level, and systematic corruption at the "interaction of the state and private actors in a contaminated social system."⁴⁵

³⁸ Sylvia and Danopoulos, "The Chávez Phenomenon: Political Change in Venezuela," 71.

³⁹ *The Hugo Chávez Show*.

⁴⁰ Alina Rocha Menocal et al., "Why Corruption Matters: Understanding Causes, Effects and How to Address Them," Evidence Paper (UK: Department of International Development, January 2015), 54, <https://www.gov.uk/government/publications/why-corruption-matters-understanding-causes-effects-and-how-to-address-them>.

⁴¹ *Ibid.*, 12.

⁴² Gustavo Coronel, "Corruption, Mismanagement, and Abuse of Power in Hugo Chávez's Venezuela," *Development Policy Analysis* (Washington, DC: CATO Institute, November 27, 2006), 8.

⁴³ "What Is Corruption?," Transparency International.

⁴⁴ Coronel, "Corruption, Mismanagement, and Abuse of Power," 9.

⁴⁵ Coronel, "Corruption, Mismanagement, and Abuse of Power," 9–14.

Corruption is a difficult phenomenon to pinpoint; however, corruption indices can give a snapshot of the situation in Venezuela. In 2000, Transparency International scored Venezuela 2.7 out of 10 and ranked Venezuela 71 out of 90 countries.⁴⁶ In 2011, Venezuela's Corruption Perception Index score dropped to 1.9.⁴⁷ By 2014, however, Transparency International's Corruption Perception index identified Venezuela as the most corrupt country in Latin America with a score of 19 out of 100, where 0 is the most corrupt and 100 the cleanest, and assigned it a global ranking of 161 out of 175.⁴⁸ In other words, Venezuela went from being a moderate to the worst ranking over a 14-year period under two Presidents who both claimed that their primary objective was to "eliminate corruption."⁴⁹

Civilians' perception of the government's approach to corruption saw a deteriorating shift as well. In 2000, *Latinobarómetro* identified that, out of 1200 respondents, 54.3% of the citizens answered that corruption had "increased a lot."⁵⁰ By 2002, 73.5% believed corruption had "increased a lot."⁵¹ During the 2006 election year, however, the perception began to change with Latinobarómetro question of "How much progress do you think has been made on reducing corruption in the State's institutions during the last two years?"⁵² According to the results, 28% felt some progress was made. The success stemmed from an apparent motivation by President Chávez to use anti-corruption actions to ensure votes in the following election season. Federico Fuentes highlights several former elected officials, both opposition and Chavistas (Pro-Chávez supporters), that were charged with corruption along with the former defense minister linked with the disappearance of \$14.4 million from the defense ministry's budget in that

⁴⁶ "How Corrupt Is Your Country?," Transparency International, accessed January 23, 2016, <http://www.transparency.org/cpi2014/infographic>.

⁴⁷ "Corruption Perceptions Index Report 2011," Transparency International, http://www.transparency.org/research/cpi/cpi_2000/0/.

⁴⁸ Ibid.

⁴⁹ Coronel, "Corruption, Mismanagement, and Abuse of Power," 5.

⁵⁰ Latinobarómetro Database, no. 2000, Latinobarómetro, accessed May 13, 2016, <http://www.latinobarometro.org/latOnline.jsp>.

⁵¹ Ibid., 2002.

⁵² Ibid., 2006.

time-frame.⁵³ Those actions, however, did not make lasting changes in corruption, but they did ensure reelection. By 2008, the numbers changed with the same question as the 2006 report resulted in 32.3% believed that “no progress [at] all is being made.”⁵⁴ Furthermore, in 2013, Latinobarómetro questioned, “How widespread do you think corruption and bribe-taking are in your local/municipal government?” From 1200 respondents, 36% answered that most officials are corrupt.⁵⁵ Thus, the perception of corruption among its citizens noted no significant improvements.

During Chávez’s presidency, beyond the perception of corruption, there was physical evidence of corruption penetrating several aspects of Venezuelan society from food programs, healthcare, and the bureaucracies that control those basic goods. In 2005, the Supreme Court purchased land for 78 million bolivars to build 300 courts in Caracas; however, 10 years later, nothing was built.⁵⁶ *Transparencia Venezuela* identified, in 2007–2008, “various irregularities” found in the purchase of food by the state and *Petróleos de Venezuela S.A. (PDVSA)*, the state owned oil company, that led to over one million tons of food purchased with only a little more than 25% of the food received and 14% of that food distributed.⁵⁷ According to *Transparencia Venezuela*, the investigations into these issues are nonexistent.⁵⁸ Other signs of corruption were linked directly to Hugo Chávez’s family. His father, Hugo de los Reyes Chávez, became governor of their home state of Barinas, while Chávez’s brothers enjoyed other political positions at the state and local levels, elevating their status to wealthy elites.⁵⁹ Secrecy surrounds how they came into their money and, in 2008; investigations into allegations of illegal enrichment were

⁵³ Federico Fuentes, “Venezuela Combats Crisis by Fighting Corruption, Bureaucracy,” *Green Left Weekly*, May 5, 2009, <https://www.greenleft.org.au/node/41587>.

⁵⁴ Latinobarómetro Database, no. 2006, Latinobarómetro, accessed May 13, 2016, <http://www.latinobarometro.org/latOnline.jsp>

⁵⁵ *Ibid.*, no. 2013.

⁵⁶ Corruption and Human Rights Violations in Venezuela, Transparency International, *Human Rights*, (June 2, 2015), http://www.transparency.org/news/feature/corruption_and_human_rights_violations_in_venezuela.

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ Jens Glüsing, “Venezuelan State Elections: Pressure Mounts for Entire Chavez Clan,” *Spiegel Online*, November 20, 2008, <http://www.spiegel.de/international/world/venezuelan-state-elections-pressure-mounts-for-entire-chavez-clan-a-591712.html>.

placed on hold.⁶⁰ Corruption not only rose in occurrences in Venezuela, but it became increasingly difficult to investigate allegations to hold those accused accountable.

Chávez's revolution exposes the opportunities of corruption among its basic framework. Francisco Rodríguez notes that Chávez's revolution is more of an "empty" one with "little data supporting the claim that the Chávez administration has acted any differently from previous Venezuelan governments—or, for that matter, from those of other developing and Latin American nations."⁶¹ The economic growth throughout Chávez's presidency ensured the revenue to support his social initiatives; however, there were no signs of improvement. Mercedes de Freitas states that "poor governance, a concerted effort to quash the voice of the people coupled with rampant corruption are leading Venezuela to a terrible destiny."⁶² The Bolivarian Revolution is showing signs of the past with corruption worsening rather than improving.

Corruption has negative implications for peace. The Institute for Economics and Peace argued that a country with high levels of corruption has less peace; in Venezuela, this argument has been illustrated by the rise of corruption, violence, and illicit activities during Chávez's presidency. The U.S. State Department's 2012 report on Venezuela's Crime and Safety rated the criminal threat level for Caracas as critical.⁶³ Factors that the reports mentioned were "a sense of criminal immunity, poorly paid and often corrupt police, inefficient politicized judiciary, a violent and overcrowded prison system, overworked prosecutors, and the presence of up to \$25 million in illegal weapons in the country."⁶⁴ Reports from Transparencia Venezuela describe corrupt practices in prisons regarding family members seeing inmates.⁶⁵ Family members bribe guards in order to

⁶⁰ Ibid.

⁶¹ Francisco Rodríguez, "An Empty Revolution," *Foreign Affairs* 87, no. 2, (January 28, 2009), <https://www.foreignaffairs.com/articles/venezuela/2008-03-02/empty-revolution>.

⁶² Corruption and Human Rights Violations in Venezuela, Transparency International

⁶³ United States Department of State, *Venezuela 2012 Crime and Safety Report*, OSAC, Washington, DC: U.S. Government Printing Office, September 2012, <https://www.osac.gov/pages/ContentReportDetails.aspx?cid=13038>.

⁶⁴ Ibid.

⁶⁵ Corruption and Human Rights Violations in Venezuela, Transparency International, accessed March 10, 2016, http://www.transparency.org/news/feature/corruption_and_human_rights_violations_in_venezuela.

move forward in the queue for visitation.⁶⁶ Leopoldo Colmenares explains that, because of Hugo Chávez's revolutionary policies, there was "participation of high-level government officials and transnational criminal enterprises."⁶⁷ Some analysts used this development to frame Venezuela a threat to hemispheric security and a "mafia state" because of its "involvement of civilian and military figures of the government in activities linked to transnational organized crime."⁶⁸ This perceived threat demonstrates the impact of Venezuela's corruption on peace, not just within the country, but also throughout the entire hemisphere.

C. METHOD

In order to answer the research questions, the analysis focuses specifically on corruption in Venezuela between 2000 and 2014. I use policy analysis from Chávismo and Cháveznomics to focus on two specific factors that facilitate the rise of corrupt practices in Venezuela: weak governance and Venezuela's over-dependence on oil. Evaluation of weak governance is accomplished through scholarly literature within certain theoretical avenues, such as populism and neo-patrimonial systems, to determine how the strength of Venezuelan governance facilitated corrupt practices. Oil over-dependence analyses, in conjunction with the economic theory of the Resource Curse, obtain from scholarly literature and non-profit organization's reports, highlight how mismanagement of windfall rents and over-dependence on oil facilitated corruption within the state.

For the second research question, the thesis evaluates scholarly literature regarding anti-corruption schools of thought. These anti-corruption theories, along with Venezuela's corrupt environment, are scrutinized in order to determine the most appropriate anti-corruption solution that may aid the Venezuelan people. Research

⁶⁶ Corruption and Human Rights Violations in Venezuela, Transparency International, accessed March 10, 2016, http://www.transparency.org/news/feature/corruption_and_human_rights_violations_in_venezuela.

⁶⁷ Leopoldo E. Colmenares, "Criminal Networks in Venezuela: Their Impact on Hemispheric Security," *Military Review*, January-February 2016, 55, http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20160228_art012.pdf.

⁶⁸ *Ibid.*, 56.

reports from think tanks and scholarly literature evaluate specific anti-corruption methods against three societal characteristics: cultural context, political will, and international integration. Examples from Mexican and Brazilian anti-corruption policies strengthen the argument's possible solutions.

D. LITERATURE REVIEW

This literature review analyzes the current research regarding the factors that contribute to corruption in Venezuela and identifies the means to reverse the trend. For Venezuela, the literature argues that corruption under Chávez increased due to the radical changes of the political system and role of the military in social development. The literature identifies two arguments as factors that facilitate corruption. First, there is the argument that weak governance is a primary enabler of corruption.⁶⁹ The second argument centers on problems from an abundance of oil described by the theory of the “Resource Curse,” which asserts that countries rich in a (non-renewable) resource can become economically stagnant because of mismanagement of the revenue. Anti-corruption literature focuses on three considerations for effective creation and implementation strategies: cultural context, political will, and international integration.

1. Venezuela Situation: Chávismo

Few analyses of corruption occurred during the Chávez presidency. Gustavo Coronel is a former Board of Directors member of PDVSA and president of *Agrupación Pro Calidad de Vida*, where he served as the Venezuelan representative to Transparency International from 1996–2000.⁷⁰ In his 2006 “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela” policy paper, Coronel identifies that corruption in Venezuela, within the first eight years of the Chávez administration, increased because of “the windfall of oil revenues” and the “simultaneous reduction in transparency.”⁷¹ Coronel identifies factors that led to the rise of corruption in Venezuela such as the “record oil income, mediocre management team, ideological predilections of Chávez, and

⁶⁹ Menocal et al., “Why Corruption Matters,” 18.

⁷⁰ Coronel, “Corruption, Mismanagement, and Abuse of Power,” 1.

⁷¹ Ibid.

redistribution of oil income through direct handouts.”⁷² The author lists several examples of corrupt actions by Chávez and his government. The paper concludes with how Venezuela under Chávez has increased the motive, opportunity, and impunity of action due to the low income of bureaucrats who had recently been incorporated into the government, the lack of transparency and high bureaucratic turnover, and no punishment for those found to conduct corrupt practices.⁷³

International relations professors Steve Ellner and Daniel Hellinger’s 2004 Volume *Venezuelan Politics in the Chávez Era: Class, Polarization & Conflict*, argues that the Fifth Republic or Chávismo replaced Punto Fijo because economic decline reenergized class conflict that Hugo Chávez exploited with polarized rhetoric of “haves and have-nots” but never capitalized on, ironically institutionalizing the “[aggregation] of class conflicts.”⁷⁴ A key element to the argument involves Chávez’s vision of a more direct democracy. María Pilar García-Guadilla argued, in “Civil Society: Institutionalization Fragmentation, Autonomy,” that “the Bolivarian constitution attempted to institutionalize direct democracy, so that both forms of democracy (representative and participatory) would coexist and be underpinned by social organizations, more than by traditional political parties.”⁷⁵ García-Guadilla’s chapter concludes that participatory government had the goal to “win legitimacy without losing power,” and “one of the risks was that social spaces would be opened up not to encourage new forms of participation by social groups but to facilitate manipulation.”⁷⁶ Ellner and Hellinger argue that paternalism and clientelism in MVR leaders and the rank and file members were one of the factors that derailed Hugo Chávez’s attempts to create a more participatory democracy.

⁷² Coronel, “Corruption, Mismanagement, and Abuse of Power,” 8–9.

⁷³ Ibid., 20–21.

⁷⁴ David J. Myers, “Venezuelan Politics in the Chavez Era: Class, Polarization, and Conflict (Review),” *Latin American Politics & Society* 46, no. 2 (2004): 6, doi:10.1353/lap.2004.0022.

⁷⁵ María García-Guadilla, “Civil Society: Institutionalization, Fragmentation, Autonomy,” in *Venezuelan Politics in the Chávez Era: Class, Polarization and Conflict*, ed. Steve Ellner and Daniel Hellinger (Boulder, CO: Lynne Rienner Publishers, 2004), 179.

⁷⁶ Ibid., 194.

Latin Politics professors, George Philip and Francisco Panizza, in their 2011 book, *The Triumph of Politics: The Return of The Left in Venezuela, Bolivia, and Ecuador*, argue that Venezuela, Bolivia, and Ecuador created an alternative to the Miami Consensus in a radical populism with the twenty-first century Socialism political system.⁷⁷ The authors define populism as “political strategy based on the discourse of popular unity and the stigmatization of unpopular elites,”⁷⁸ and, with that definition, Venezuela’s radical populism’s key features include “populist rupture with the previous order, politics of antagonism, the centrality of charismatic leadership and the foundational drive to set up a new political and economic order.”⁷⁹ Venezuela’s version of populism used “personalist leadership, plebiscitarian and grassroots forms of political participation and new forms of political organization rather than top-down populism, which is an unmediated relationship between leader and followers.”⁸⁰ The authors also claim that organization is “not the same as accountability and civil society participation does not guarantee political autonomy from the state.” Examples such as a study of the allocation of social funds from social development, misiones, showed how with “given increased levels of electoral competition and weak institutional constraints, the government used these funds clientelistically, even while distributing oil income to the very poor” in actuality they, “[were] used to maintain support among Chavista voters at the local level.”⁸¹ In terms of corruption, Philip and Panizza claim “Chávismo...has been characterized by the colonization of the state by the ruling party and the systematic erosion of the checks and balances that characterized democratic pluralism.”⁸²

⁷⁷ George Philip and Francisco Panizza, *The Triumph of Politics: The Return of the Left in Venezuela, Bolivia and Ecuador* (Malden, MA: Polity Press, 2011), Kindle Edition, 163.

⁷⁸ Ibid., 327.

⁷⁹ George Philip and Francisco Panizza, *The Triumph of Politics: The Return of the Left in Venezuela, Bolivia and Ecuador* (Malden, MA: Polity Press, 2011), Kindle Edition, 1936.

⁸⁰ Ibid., 1939.

⁸¹ Ibid., 2025.

⁸² George Philip and Francisco Panizza, *The Triumph of Politics: The Return of the Left in Venezuela, Bolivia and Ecuador* (Malden, MA: Polity Press, 2011), Kindle Edition, 2039.

2. Politicization of Military

Chávez politicized the military through reforms that included their role in social development missions and their promotions system. Leopoldo E. Colmenares, an associate professor at Simón Bolívar University in Caracas, in his 2016 “Criminal Networks in Venezuela: Their Impact on Hemispheric Security” argues that Chávismo “has resulted in a state of affairs that allows a partnership between the Venezuelan government and illicit transnational organizations without radical changes in the social and political environment” creating a “mafia state.”⁸³ Colmenares claims that several of the military members involved in development projects were “involved in scores of corruption cases and the misappropriation of immense quantities of allocated resources.”⁸⁴ Chávez’s reform of the promotion system involved a loyalty system since promotions were approved by Hugo Chávez, creating a system that “a good number of those [officers] sought personal gain” replacing the meritocracy system previously in place. Colmenares concludes, “Ultimately, the environment of complete impunity and support provided by [Chávez] created a ‘criminal snowball’ effect within the group of Venezuelan public administration members and the military establishment.”⁸⁵

Moisés Naím, in his 2012 article “Mafia States,” argues that Venezuela is a mafia state. Naím shows evidence that Chávez top commander and Minister of Defense, General Henry Rangel Silva, in 2008 was “officially designated drug kingpin,” along with five other “high-ranking military officers.”⁸⁶ Venezuela is also involved heavily in the cocaine business; with the United Nations Office on Drugs and Crime claims that Venezuela “supplies more than half of all cocaine shipments to Europe.”⁸⁷ Other illicit

⁸³ Leopoldo E. Colmenares, “Criminal Networks in Venezuela: Their Impact on Hemispheric Security,” *Military Review*, no. January-February (2016): 55, http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20160228_art012.pdf.

⁸⁴ Colmenares, “Criminal Networks in Venezuela: Their Impact on Hemispheric Security.”

⁸⁵ *Ibid.*

⁸⁶ Moisés Naím, “Mafia States: Organized Crime Takes Office,” *Foreign Affairs* 91, no. 3 (June 2012): 106, <https://www.foreignaffairs.com/articles/2012-04-20/mafia-states>.

⁸⁷ *Ibid.*, 107.

activity includes human trafficking, money laundering, counterfeiting, weapons smuggling, and the trade in contraband oil.⁸⁸

3. Cháveznomics

In terms of economic models, Philip and Panizza also argue that Venezuela's dependence on oil has worsened. They contend that, in the first five years of his presidency, Chávez made few economic policy changes "until January 2005 [where] Chávez formally embraced socialism."⁸⁹ Philip and Panizza also claim that, faced with a "referendum to terminate his presidency, the government concentrated on social programmes aimed at the poorest sectors of society and their most urgent concerns for health and education"⁹⁰ The focus on social development resulted in "no progress in developing non-oil exports and the destruction of the professional ethic with[in] PDVSA has made any kind of 'Petrobras style' of public-private cooperation unfeasible." The authors conclude that Chávez failed to put Venezuela's economy "on a viable footing."⁹¹ While Venezuela grew more dependent on exporting oil, the devastation of the 2002 coup and strikes on oil production showed that less and less oil was being exported, which exposed the "broader economic management" deficiencies.⁹²

Robert Looney argues in "*Chavistanomics*" that the Chávismo economic model negatively impacted Venezuela. Chávez pushed socialist programs to garner support from the poor through cash handouts, state control of industries in the country, and large social programs funded by their oil revenues.⁹³ Some of the programs included job training for adults and handouts used to lessen the inequality gap.⁹⁴ Looney claims that corruption increased more than in previous governments due to the patronage system among the

⁸⁸ Naím, "Mafia States," 107.

⁸⁹ Philip and Francisco Panizza, *The Triumph of Politics*, 1968.

⁹⁰ Ibid.

⁹¹ Ibid., 3093.

⁹² Ibid.

⁹³ Robert Looney, "Chavistanomics," *The Milken Review*, 2007, 5–10, <http://calhoun.nps.edu/handle/10945/40675>.

⁹⁴ Ibid.

political elites or Chavistas and the self-governing communities and Chávez sympathizers as the leaders that obtained the funding for their areas.⁹⁵ The article concludes that Chávez's model is dependent on high oil revenue and predicted that many social programs could not be funded due to a decline in that revenue.⁹⁶ Looney highlights that the population has grown dependent on government subsidies with no incentive to work out current situations and no savings for when oil price drops.⁹⁷

4. Factors that Facilitate Corruption: Weak Governance

The Overseas Development Institute Team of the Department for International Development of the United Kingdom created a 2015 evidence paper about corruption. Alina Rocha Menocal et al. in the "Why corruption matters: Understanding Causes, Effects, and How to Address Them," titled evidence paper identify weak governance in a country as "one of the fundamental causes of corruption."⁹⁸ Poor organization along these lines suggests that "systems corruption is a deadly sign that a society can no longer effectively manage its resources for public purposes."⁹⁹ Signs of weak governance are evident in weak institutions that have centralized power in a country's executive along with weak accountability institutions. These policy choices have led to a powerful immunity for the elites and an opportunity for corruption.¹⁰⁰ Menocal et al. call the centralized model of this kind of corruption neo-patrimonial systems.¹⁰¹ These systems have "weak separation of the public and private spheres, vertical and identity-based relationships having primacy over horizontal and rights-based relationships, and politics organized around 'personalism' or 'big man' syndrome, meaning a high centralization of

⁹⁵ Looney, "Chavistanomics," 5–10.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ Menocal et al., "Why Corruption Matters," 18.

⁹⁹ Alan Doig, "Good Government and Sustainable Anti-Corruption Strategies: A Role for Independent Anti-Corruption Agencies?," *Public Administration & Development* 15, no. 2 (May 1995): 152, <http://libproxy.nps.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=17389264&site=ehost-live&scope=site.>, 152

¹⁰⁰ Menocal et al., "Why Corruption Matters," 18.

¹⁰¹ Ibid., 19.

power and patron-client relations replicated throughout a society.”¹⁰² This neo-patrimonial system creates an inherent weakness in institutions to fight against a strong executive base, which further limits accountability and shares the burden of providing political goods to a country.

Menocal et al. also describe institutions’ political environments as a means for identifying power dynamics within a state, meaning that a state’s “functionality of institutions is shaped by the distribution of power in the political system and (dis) advantages such distribution confers.”¹⁰³ Analysts claim the importance of understanding the “political settlement” or “political order,” which means, “a set of vested interest and power relations that establishes the rules of the game or access to the political and economic resource.”¹⁰⁴ The major indicator of corruption is the method in which governments protect their power, in terms of “allocating rents and patronage” to maintain their power base.¹⁰⁵ The strength of a centralized government manifests, in part, with its ability to maintain its power.

Weak Governance also exposes a country to a specific political style, populism, that undermines democracy and furthers corruption within a state. Patricio Navia and Ignacio Walker, in their chapter in the 2008 *Democratic Governance in Latin America*, “Political Institutions, Populism, and Democracy in Latin America,” form an argument that “less well-consolidated democratic institutions promoted populist leaderships resulting in political and social policies conducive to either sustained development or to a reduction in poverty and inequality.”¹⁰⁶ The analysts argue that populism is “the tendency of leaders, usually presidents, to reduce the number of veto actors in a political system.”¹⁰⁷ Populism allows political outsiders to enter office under the sentiments of a

¹⁰² Menocal et al., “Why Corruption Matters,” 19.

¹⁰³ Ibid., 20.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

¹⁰⁶ Patricio Navia and Ignacio Walker, “Political Institutions, Populism, and Democracy in Latin America,” in *Democratic Governance in Latin America*, ed. Scott Mainwaring and Timothy R. Scully (Stanford, CA: Stanford University Press, 2008), 3, <https://umshare.miami.edu/web/wda/hemisphericpolicy/8NaviaWalker.pdf>.

¹⁰⁷ Ibid., 7.

population frustrated with the political status quo. The population's willingness to allow a centralization of control in "strong personalized leadership"¹⁰⁸ is a sign of weak institutions. The context for the wave of populist leaders in Latin America is the consequence of deteriorating economies and claims of rampant systematic corruption in government.¹⁰⁹ The argument concludes that several countries that opted for populist leadership saw a shift away from democratic governance, and now govern based on popular will with actions that weaken democratic institutions and blame corruption on the previous political system.¹¹⁰

Latin American current affairs analyst Vladimir Torres, in his 2006 "The Impact of 'Populism' on Social, Political, and Economic Development in the Hemisphere," furthers the argument on populism's effects on weakening institutions by identifying a specific subset of populism, neo-populism. He defines neo-populism as an anti-system of the entire polity, which is a means to distinguish the 21st-century populist systems from the 20th-century leaders.¹¹¹ The main factor of neo-populism is its fight against all elements of the previous political system, using severe polarization tactics for the population and replacing all "traditional democratic institutions" with central government control.¹¹² Parallel structures are created to maintain neo-populist power through patron-client and centralized means to discredit the opposition and engage the masses to vote in their favor.¹¹³

¹⁰⁸ Navia and Walker, "Political Institutions, Populism, and Democracy in Latin America," 8.

¹⁰⁹ Ibid.

¹¹⁰ Ibid., 22.

¹¹¹ Vladimir Torres, "The Impact of 'Populism' on Social, Political and Economic Development in the Hemisphere," Policy Paper (Ottawa, Ontario: Canadian Foundation for the Americas, July 2006), 4, http://www.focal.ca/pdf/governance_Torres-FOCAL_impact%20populism%20social%20political%20economic%20development%20hemisphere_July%202006_FPP-06-06.pdf.

¹¹² Ibid., 6, 9.

¹¹³ Vladimir Torres, "The Impact of 'Populism' on Social, Political and Economic Development in the Hemisphere," Policy Paper (Ottawa, Ontario: Canadian Foundation for the Americas, July 2006), 13, http://www.focal.ca/pdf/governance_Torres-FOCAL_impact%20populism%20social%20political%20economic%20development%20hemisphere_July%202006_FPP-06-06.pdf.

Analysts Daron Acemoglu et al., in “Why Do Voters Dismantle Checks and Balances?” identify how weak governance and better-organized elites can create an environment that typical accountability mechanism such as checks and balances could facilitate corruption. Checks and Balances is a method to reduce politician rents (economic gain) and a means to control government through what James Madison referred to as “auxiliary precautions.”¹¹⁴ The idea of removing any accountability mechanisms appears counter-intuitive; however, Acemoglu et al. claim that, in countries with weak governance and better-organized rich elites, most voters would consciously choose to remove accountability mechanisms like checks and balances in order to remove the ease of organized rich elites to corrupt the executive.¹¹⁵ The result becomes that voters, mostly the poor ones in a society, remove checks and balances to concentrate rents to an executive with the expectation that wealth would be redistributed to the poor.¹¹⁶ The goal with this approach is for presidents to achieve the “political bliss point.”¹¹⁷ The political bliss point is when the system allows presidents to redistribute funds to the poor, while they capture rents for themselves, making the rich elite powerless against the president.¹¹⁸ The fear of these weak polities is a government with well-organized rich elites able to conduct corrupt actions, such as bribery and lobbying, to influence politicians.¹¹⁹ As a result, elites would concentrate all the wealth among themselves. Poor voters tend to believe it would be more beneficial to remove the accountability mechanisms to protect the president from rich elites’ influence. The risk of removing checks and balances “may have a more difficult time making the credible

¹¹⁴ Daron Acemoglu, James A. Robinson, and Ragnar Torvik, “Why Do Voters Dismantle Checks and Balances?,” *Review of Economic Studies* 80, no. 3 (July 2013): 846, <http://libproxy.nps.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=89102820&site=ehost-live&scope=site>.

¹¹⁵ *Ibid.*, 871.

¹¹⁶ *Ibid.*, 847.

¹¹⁷ *Ibid.*, 847.

¹¹⁸ *Ibid.*, 847.

¹¹⁹ *Ibid.*, 847.

commitment to citizens [and] that their assets will be safe from expropriation after they have exerted effort to accumulate them.”¹²⁰

Weak governance not only facilitates corruption in the highest levels of governance; it is also affects institutions that promote peace. The Institute of Economics and Peace’s (IEP) 2015 Peace and Corruption report argues that there is a correlation between peace and corruption, claiming that “corruption is an instrumental factor in decreasing peacefulness and increasing levels of violence in societies.”¹²¹ Institutions, like the police and the judiciary, are major elements in the peace-corruption dynamic, showing that lowering corruption in those institutions can see an increase of peacefulness in societies.¹²² The potential for corruption in these institutions seem the highest due to the inability of the government to adequately fund, man, and hold these institutions accountable.¹²³ The result becomes a high level of inefficiency and impunity that occurs while the rise in violence escalates.¹²⁴

5. Resource Curse

Erika Weinthal and Pauline Jones Luong, in 2008 “Combating the Resource Curse: An Alternative Solution to Managing Mineral Wealth,” describe the effects of a natural resource on a state through the theory of the Resource Curse. Weinthal and Luong explain how natural rents foster corruption, using models that connect rents to corruption in an environment without product market competition. The implications of the studies

¹²⁰ Philip Keefer and Stephen Knack, “Boondoggles, Rent-Seeking, and Political Checks and Balances: Public Investment under Unaccountable Governments,” *The Review of Economics and Statistics* 89, no. 3 (August 2007): 567.

¹²¹ “Peace and Corruption 2015: Lowering Corruption A Transformative Factor for Peace,” Peace and Corruption (New York: Institute for Economics and Peace, May 2015), 3, <http://reliefweb.int/sites/reliefweb.int/files/resources/Peace%20and%20Corruption.pdf>

¹²² *Ibid.*, 3.

¹²³ United States Department of State, “Venezuela 2012 Crime and Safety Report,” OSAC, September 30, 2012, <https://www.osac.gov/pages/ContentReportDetails.aspx?cid=13038>.

¹²⁴ “Peace and Corruption 2015,” 4.

illustrate that, without foreign competition, the higher the rents (revenue), the higher the corruption levels.¹²⁵

Professor Erwin Bulte and World Bank economist Richard Damania, in their 2008 article, “Resources for Sale: Corruption, Democracy, and the Natural Resource Curse,” argue that, in terms of democracy, the lack of competition, political or economic, as well as the “potential costs of political transitions...are key elements in generating the Resource Curse.”¹²⁶ The results of this model make clear distinctions between democracy and autocracy, which are political participation and executive recruitment competition, openness of executive recruitment, and constraints on the chief executive. Bulte and Damania suggest that it is possible for “an incumbent politician who receives all resource rents and who might distort the allocation of labor between the private and public sector generate political support and retain office.”¹²⁷ The blending of both sectors eliminates the opportunity for opposition and ensures support from a key group in society, the business sector. Also, countries become vulnerable to “Dutch Disease,” or a “rapid increase in the exchange rate [that] weakens domestic production in other sectors because it becomes cheaper to import goods rather than produce them domestically, while goods produced for export become more expensive in foreign markets.”¹²⁸

In a 2011 article, “The Resource Curse and Oil Revenue in Angola and Venezuela,” a sociology professor, John Hammond, argues that countries are able to combat the Resource Curse by political changes. Hammond claims that political controls can affect the trajectory that the Resource Curse tends to generate, however; other

¹²⁵ Alberto Ades and Rafael Di Tella, “Rents, Competition, and Corruption,” *American Economic Review* 89, no. 4 (1999): 992, <http://www.jstor.org/stable/117169>.

¹²⁶ Erwin Bulte and Richard Damania, “Resources for Sale: Corruption, Democracy and the Natural Resource Curse,” *The BE Journal of Economic Analysis & Policy* 8, no. 1 (2008): 4, <http://www.degruyter.com/view/j/bejeap.2008.8.1/bejeap.2008.8.1.1890/bejeap.2008.8.1.1890.xml>.

¹²⁷ Erwin Bulte and Richard Damania, “Resources for Sale: Corruption, Democracy and the Natural Resource Curse,” *The BE Journal of Economic Analysis & Policy* 8, no. 1 (2008): 10, <http://www.degruyter.com/view/j/bejeap.2008.8.1/bejeap.2008.8.1.1890/bejeap.2008.8.1.1890.xml>; James A. Robinson, Ragnar Torvik, and Thierry Verdier, “Political Foundations of the Resource Curse,” *Journal of Development Economics* 79, no. 2 (2006): 447–468, <http://www.sciencedirect.com/science/article/pii/S0304387806000137>.

¹²⁸ John L. Hammond, “The Resource Curse and Oil Revenues in Angola and Venezuela,” *Science & Society* 75, no. 3 (2011): 352, <http://search.proquest.com/openview/870f905f79912016d9f1acb7846da63d/1?pq-origsite=gscholar>.

analysts take it a step further, stating that an opening of competition can lead to “a perpetuation of the Resource Curse in a different form,” while others argue that foreign investment is a solution to the curse.¹²⁹ Hammond cites analysts who claim that centralized control of natural resource production “[precludes] corruption in the assignment of contracts to international oil companies”¹³⁰ The argument concludes that redistribution of wealth, regardless of strength of government institutions, provides enough of a relief to the Resource Curse effects.¹³¹

6. Societal Elements: Cultural Context

Gene Hofstede’s “Global Leadership and Organizational Behavior Effectiveness (GLOBE) Project National Cultural Dimensions of Values and Practices” are used as a main tool for scholars to breakdown the elements of a country’s culture for the purposes of corruption. Analysts use these dimensions as a means to understand what enables corruption and how to create effective anti-corruption mechanisms. For example, Bryan Husted, in his 2002 article, “Culture and International Anti-Corruption Agreements in Latin America,” argues that effective anti-corruption methods, especially international conventions against corruption, need to be created within a specific cultural context instead of a “one-size fits all” approach.¹³² The cultural consideration argument identifies four core cultural dimensions: power distance, individualism-collectivism, uncertainty avoidance, and masculinity-femininity.¹³³ Within these four dimensions, the article concludes that international conventions need to “work at a level of group norms, with a strong executive leadership, very clear and unambiguous rules that seek to harness individual and group interests to promote fighting corruption and [incorporating] shame for social control.”¹³⁴

¹²⁹ Hammond, “The Resource Curse and Oil Revenues in Angola and Venezuela,” 364.

¹³⁰ Ibid.

¹³¹ Hammond, “The Resource Curse and Oil Revenues in Angola and Venezuela,” 371.

¹³² Bryan Husted, “Culture and International Anti-Corruption Agreements in Latin America,” *Journal of Business Ethics* 37, no.4 (2002): 413, <http://www.jstor.org/stable/25074767>.

¹³³ Ibid., 415.

¹³⁴ Bryan Husted, “Culture and International Anti-Corruption Agreements in Latin America,” *Journal of Business Ethics* 37, no.4 (2002): 413, <http://www.jstor.org/stable/25074767>, 421.

Ahmed Seleim and Nick Bontis, in their 2009 article, “The Relationship between Culture and Corruption: A Cross-National Study,” also cites Gene Hofstede’s cultural dimensions in evaluating corruption within countries. The research cites nine dimensions: performance orientation, future orientation, assertiveness, uncertainty avoidance, power distance, institutional collectivism, individual collectivism, gender differentiation, and human orientation. To fight corruption, their framework of cultural determinants is based on establishing an understanding of a country’s “societal culture and deeper analysis of its underlying causes and infrastructures.”¹³⁵ Policy-makers can combat corruption through stronger reforms that focus on the “dominant national culture in more corrupted countries.”¹³⁶

Finally, Hofstede’s cultural dimensions were used to analyze corruption through a sociological lens. Sociologists Seymour Lipset and Gabriel Lenz argue two sociological models that incorporate Hofstede’s cultural dimensions: “means-ends schema” and “familism.”¹³⁷ Means-ends schema deals with various accounts of ethical gaffes and familism draws emphasis on family orientation.¹³⁸ The models incorporate cultural elements to explain and possibly predict corruption in a country.

Menocal et al.’s “Why corruption matters” evidence paper also identifies cultural context consideration in relation to a popular anti-corruption method called national anti-corruption strategies (NACS). There is little literature appraising their effectiveness because of the difficulty in evaluating NACSs.¹³⁹ Most of the NACSs have been documented as failures due to their reliance on one-size-fits-all plans more than

¹³⁵ Nick Bontis et al., “The Relationship between Culture and Corruption: A Cross-National Study,” *Journal of Intellectual Capital* 10, no. 1 (2009): 180, <http://www.emeraldinsight.com/doi/abs/10.1108/14691930910922978>.

¹³⁶ Ibid.

¹³⁷ Seymour Martin Lipset and Gabriel Salman Lenz, “Corruption, Culture, and Markets,” in *Culture Matters: How Values Shape Human Progress*, ed. Lawrence E. Harrison and Samuel P. Huntington, (New York: Basic Books, 2000), 116.

¹³⁸ Ibid.

¹³⁹ Alina Rocha Menocal et al., “Why Corruption Matters: Understanding Causes, Effects and How to Address Them,” (UK: Department of International Development, January 2015), 65–66, <https://www.gov.uk/government/publications/why-corruption-matters-understanding-causes-effects-and-how-to-address-them>.

individualized reform methods.¹⁴⁰ Also, if a plan does not include institutional reforms to strengthen the key institutions that NACs rely on, such as judicial and police institutions, there is little probability of success.¹⁴¹

7. Political Will

Derick W. Brinkerhoff's 2000 "Assessing Political Will for Anti-Corruption Efforts: An Analytic Framework," specifies "characteristics of political will, set of environmental factors that influence political will, and the connections among them."¹⁴² Factors, such as the will of elites to empower anti-corruption methods, the understanding of the factors that facilitate or exacerbate corruption, and the degree to which a society is willing and able to mobilize are combined with environmental factors, such as regime type or civil society. From the findings, Brinkerhoff created two methods of strengthening political will via direct or indirect influences, which affect both the characteristics of political will and the environment.¹⁴³ The argument concludes that collective action types of anti-corruption methods need political will to be effective.¹⁴⁴

Menocal et al.'s "Why Corruption Matters" evidence paper also identifies political will as a critical element that should be considered in organizing and participating in civil society organizations.¹⁴⁵ The paper proceeds to counter civil organizations by stating that "demand-led or civil society-led approaches are rarely capable in societies with weak institutions or institutions incapable of providing adequate accountability mechanisms."¹⁴⁶ The paper identifies a need to strengthen the link between civil society and the state by ensuring downward accountability through

¹⁴⁰ Menocal et al., "Why Corruption Matters," 66.

¹⁴¹ Ibid.

¹⁴² Derick W. Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts: An Analytic Framework," *Public Administration & Development* 20, no. 3 (August 2000): 241, <http://libproxy.nps.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=16885089&site=ehost-live&scope=site>.

¹⁴³ Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 249.

¹⁴⁴ Menocal et al., "Why Corruption Matters," 249.

¹⁴⁵ Ibid., 73.

¹⁴⁶ Menocal et al., "Why Corruption Matters," 249.

strengthening public institutions instead of using demand-led approaches.¹⁴⁷ The argument concludes that public support or demand for anti-corruption methods is not enough for success, regardless of the powerful role the public has on the state's elite.¹⁴⁸

8. International Integration

Wayne Sandholtz and Mark M. Gray's 2003 "International Integration and National Corruption" argues how international input of economic and normative factors can have both international and domestic implications, claiming that domestically "international transactions increase the costs of corrupt acts or decrease their payoffs" while internationally, "international norms can shape the social standards and create a demand for condemnation of corruption."¹⁴⁹ Normative factors are necessary and somewhat overlooked in the analysis of corruption and corrupt actors' choices.¹⁵⁰ Other factors involve the relationship between corruption and international trade because the consequences of corrupt practices affects companies through lower returns, profits, and possible survivability in the market.¹⁵¹ Also these "bribe-paying companies suffer under international competition, having less money to offer and receive less corruption-related income."¹⁵²

9. Summary

The literature identified several arguments regarding the factors that influence corruption and considerations for building anti-corruption methods. The main factors that facilitate Venezuela's corruption are weak governance and the abundance of oil. While there are other known factors that facilitate corruption, the weak governance and abundance of oil, better correspond with corruption in Venezuela, hence the reason for the limited scope.

¹⁴⁷ Ibid.

¹⁴⁸ Menocal et al., "Why Corruption Matters."

¹⁴⁹ Wayne Sandholtz and Mark M. Gray, "International Integration and National Corruption," *International Organization* 57, no. 4 (September 2003): 763–64, doi:10.1017/S0020818303574045.

¹⁵⁰ Ibid., 763.

¹⁵¹ Ibid., 775.

¹⁵² Ibid., 764.

Anti-corruption literature gauged three considerations that evaluate effective anti-corruption measures. Analysts argue that the considerations of cultural context, political will, and international integration are required when prescribing and creating anti-corruption methods. A major debate remains regarding the validity of anti-corruption analysis, because of the difficulty of measuring corruption. Though this is a known limitation of the analysis, the literature concludes that corruption is a complex and multifaceted problem.¹⁵³ The considerations can still serve as a baseline to understand how corruption can appear within a society and determine the efficiency of anti-corruption methods.

Corruption affects large sectors of a country from economic growth and development to disproportionate effects on the vulnerable and poor parts of a society.¹⁵⁴ While some literature argues that corruption can assist transitioning governments overcome institutional shortcomings, facilitate trade and investment, and aid in conflict resolution, there is a serious cost where corruption “[maintains] peace/stability ...at the price of development and [maintaining] weak/authoritarian regimes.”¹⁵⁵ In the case of Venezuela, while there are arguments that corruption can provide some peace/stability, the cost of that stability is maintaining mediocre policies, as is shown with Hugo Chávez’s successor, Nicolás Maduro.

E. CONCLUSION

Counter arguments exist as to the severity of corruption in Venezuela. Gregory Wilpert is a Chavista and founder of the left-leaning, Pro-Bolivarian Revolution news website venezuelanalysis.com. He argues against the accusations of Chávez’s Venezuela being the most corrupt country in Latin America according to the 2006 Transparency International’s Corruption Perception Index.¹⁵⁶ Wilpert argues that Transparency International is a biased source of data, “given that the perceptions of Venezuela are to a

¹⁵³ Menocal et al., “Why Corruption Matters,” 12.

¹⁵⁴ *Ibid.*, 54.

¹⁵⁵ *Ibid.*

¹⁵⁶ Gregory Wilpert, “Corruption in Venezuela,” *Venezuelanalysis*, September 27, 2007, <http://venezuelanalysis.com/analysis/2654>.

large extent shaped by the international and national media, which overwhelmingly sympathize with the opposition in Venezuela and constantly accuse the Chávez government of corruption.”¹⁵⁷ Wilpert also argues how other indices show Venezuela in a better ranking like Transparency International’s Global Corruption Barometer and Latinobarómetro since they survey “nationals of the countries in question,” versus the Corruption Perception Index that questions “non-national and non-resident experts and business people.”¹⁵⁸ Wilpert concludes that more objective data needs to be analyzed before “blanket statements of ‘rampant corruption’ in Venezuela under Chávez” is used.¹⁵⁹

Despite the claim of Wilpert on the use of Transparency International’s Corruption Perception Index, Fredrik Galtung and Jeremy Pope argue that it is a “poll of polls” that “combines several measures of political corruption for each country.”¹⁶⁰ Countries use the index to judge their government’s health in terms of corruption and acknowledge the influence that the index has. Countries have accomplished efforts to improve their scores, like in Malaysia where they created an anti-corruption campaign to mobilize against corruption, placing both power and money behind the campaign.¹⁶¹ The authors illustrate that the result was a new focal point and a national chapter, TI-Malaysia to “push to enhance the country’s integrity.”¹⁶² They acknowledge a limitation of the index in that it “does not capture the absolute amount of corruption in any one country, nor does it go much into detail.”¹⁶³ Regardless of the limitation, the authors say, “Transparency International has been part of, and in many instances in the lead of, a move to internationalize the efforts to curb corruption.”¹⁶⁴ The Corruption Perception

¹⁵⁷ Wilpert, “Corruption in Venezuela.”

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Fredrik Galtung and Jeremy Pope, “The Global Coalition Against Corruption: Evaluating Transparency International,” in *The Self-Restraining State: Power and Accountability in New Democracies*, ed. Andreas Schedler, Larry Diamond, and Marc F. Plattner (Boulder, CO: Lynne Rienner Publishers, 1999), 275.

¹⁶¹ Ibid., 276.

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

Index gives a snapshot of where corruption has gone in Venezuela over Chávez's presidency and also how it compares in the region, a unique quality for the index.¹⁶⁵ Nevertheless, corruption is a deteriorating element for Venezuela, and this thesis breaks down the elements that Chávez introduced that led to the sharp rise and also attempts to incorporate a more robust, sustainable anti-corruption mechanism to curb its rise.

This thesis argues that the reason corruption rose during Hugo Chávez's presidency is because of the implementation of Chávismo along with the windfalls of oil revenue that facilitated a system that eliminated accountability and transparency mechanisms while also mismanaging funds under impunity. It also argues that an international anti-corruption institution could be created within Venezuela that considers the country's cultural context while incorporating political will and international integration elements to ensure survivability and functionality. Chapters II and III analyze the situation in Venezuela through two lenses shown to facilitate corruption: weak governance and abundance of oil. The research argues how Chávismo's economic and political policies exacerbated opportunities for corruption within the state. Chapter IV explains anti-corruption theory and scrutinizes Venezuela's corruption situation with three societal considerations: cultural context, political will, and international integration, to determine a suitable anti-corruption model. Chapter V proposes an anti-corruption strategy that analyzes examples from Mexico and Brazil to shape the potential strategy for Venezuela.

¹⁶⁵ Galtung and Pope, "The Global Coalition Against Corruption," 276.

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II. VENEZUELA'S WEAK GOVERNANCE

Corruption attacks the stability of countries' political systems and therefore distresses an entire population, leaving behind broken trust among citizens. Multiple factors create breeding grounds for corruption within a polity. Weak governance, for example, is understood as "one of the fundamental leading causes of corruption."¹⁶⁶ Weak governance includes weak political systems that fuel corruption. Neo-Patrimonial and Populist systems further intensify issues, like corruption, present in a country. How did weak governance influence the rise of corruption within Venezuela? Venezuela's legacy of weak governance under their pluralist two-party system, Punto Fijo, was replaced with a populist style of socialism that proved to be an even greater detriment. Chapter II defines weak governance, examines its typical manifestations, and analyzes how populism and neo-patrimonial systems, particularly, intensify Venezuela's breeding grounds for corruption. The chapter analyzes how Chávez's model of governance resulted in political, economic, and social changes facilitating the rise in corruption during his 14 -year presidencies and beyond. Hugo Chávez's political system, Chávismo, incorporated both neo-patrimonial and populist principles that resulted in an increase in corruption due to reforms that created a weak governance while removing key democratic institutions that can curb corruption. To examine weak governance, the thesis first examines strong governance.

A. STRONG GOVERNANCE

It is necessary to examine what governance means to better understand the differences between strong and weak governance and how they connect to corruption. Daniel Kaufmann et.al defines governance as "traditions and institutions by which authority in the country is exercised,"¹⁶⁷ and the World Bank defines governance as "the

¹⁶⁶ Alina Rocha Menocal et al., "Why Corruption Matters: Understanding Causes, Effects and How to Address Them," Evidence Paper (UK: Department of International Development, January 2015), 27, <https://www.gov.uk/government/publications/why-corruption-matters-understanding-causes-effects-and-how-to-address-them>.

¹⁶⁷ Corruption and Governance, World Bank, accessed June 6, 2016, <http://lnweb90.worldbank.org/eca/eca.nsf/Sectors/ECSPE/E9AC26BAE82D37D685256A940073F4E9?OpenDocument>.

rules of the rulers typically within a given set of rules.”¹⁶⁸ The two definitions claim that individuals are bounded by rules that assist a country to govern citizens. The World Bank (The Bank) says that “understanding governance requires an identification of both the rulers and the rules, as well as the various processes by which they are selected, defined, and linked together with the society generally.”¹⁶⁹ Francis Fukuyama claims that governance falls into three different meanings: “international governance or international cooperation through non-sovereign bodies outside state system, governance as public administration or good governance, and governance without government or governance as the regulation of social behavior through networks and other nonhierarchical mechanisms.”¹⁷⁰ In this thesis, governance is “a synonym (or euphemism) for traditional public administration, that is, the implementation of policies...by old-fashioned governments.”¹⁷¹ Governance’s definition has strong ties to the move in the 1990s for neoliberal policies known as the Washington Consensus, like privatization and deregulation, which claim that governances are “obstacles to robust economic growth.”¹⁷² Fukuyama’s definition allows for an understanding of governance as an important element for market exchange with The Bank focusing “emphasis on the effective provision of basic public goods and services.”¹⁷³ Institutions began to focus on factors, like corruption, as barriers to economic growth instead of governance themselves.

Strong governance, often referred to as good governance, obviously means different things to different institutions and at different times. Fukuyama states that there are literatures that acknowledge “considerable ambiguity as to [governance’s] exact meaning.”¹⁷⁴ He goes on to say that the “focus on governance as implementation, that is,

¹⁶⁸ “Governance—What Is Governance?,” World Bank, accessed July 3, 2016, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOPGOVERNANCE/0,,contentMDK:20513159~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html>.

¹⁶⁹ Ibid.

¹⁷⁰ Francis Fukuyama, “Governance: What Do We Know, and How Do We Know It?,” *Annual Review of Political Science* 19, no. 1 (2016): 90, doi:10.1146/annurev-polisci-042214-044240.

¹⁷¹ Ibid., 91.

¹⁷² Ibid.

¹⁷³ Ibid.

¹⁷⁴ Fukuyama, “Governance,” 92.

the state's capacity to provide basic public goods and services.”¹⁷⁵ What is clear is the importance of identifying the quality of governance. Former UN Secretary-General Kofi Annan noted, “Strong governance is perhaps the single most important factor in eradicating poverty and promoting development.”¹⁷⁶ There are variations with governance's definitions with several institutions constructing means to measure strong governance. Fukuyama identifies The Bank having taken the lead in evaluating governance, with the following criteria: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption.¹⁷⁷ Others, like Fredrick Galtung and Jeremy Pope, identify the following factors: public sector management, accountability, the legal framework for development, and information and transparency as necessary elements for strong governance.¹⁷⁸ These evaluation mechanisms allow agencies to analyze and determine strength of governments based on institutional capacity and availability.

Despite the difficulty of identifying a definitive definition of governance and strong governance there are recognized examples. According to Ron Exiner in the Good Governance Guide, there are seven characteristics of strong governance: accountable, transparent, follows rule of law, responsive, equitable and inclusive, effective and efficient, and participatory.¹⁷⁹ What does that mean for countries to have these features? According to Kaufmann et al., “[Strong] governance requires time and resources to develop, suggesting that richer countries are more likely to enjoy [strong]

¹⁷⁵ Ibid.

¹⁷⁶ Rachel Gisselquist, “What Does ‘Strong Governance’ Mean?,” *United Nations University*, February 9, 2012, <http://unu.edu/publications/articles/what-does-strong-governance-mean.html>.

¹⁷⁷ Fukuyama, “Governance,” 97.

¹⁷⁸ Fredrik Galtung and Jeremy Pope, “The Global Coalition Against Corruption: Evaluating Transparency International,” in *The Self-Restraining State: Power and Accountability in New Democracies*, ed. Andreas Schedler, Larry Diamond, and Marc F. Plattner (Boulder, CO: Lynne Rienner Publishers, 1999), 263.

¹⁷⁹ Ron Exiner, “The Good Governance Guide” (Municipal Association of Victoria, Victorian Local Governance Association, Local Government Victoria and Local Government Professionals, 2012), 7–8, www.goodgovernanceguide.org.au/wp-content/uploads/kalins-pdf/Good%20Governance%20Guide.pdf.

governance...[depending] on a country's political and social history.”¹⁸⁰ Kaufmann et al., also go on to describe a causal relationship between improved governance to better development outcomes, as a key driver for wanting to measure governance in states. The report specifically identify per capita growth having a major payoff to improvements in government with similar findings in infant mortality and adult literacy.¹⁸¹ As a result, strong governance matters in terms of the ability of countries to develop and provide goods for their societies. The World Bank also identifies the difficulty in providing specific reforms to achieve strong governance specifically with accountability, “increased government accountability to citizens should improve performance but does not necessary translate into specific reforms in accountability” and “micro-level interventions (e.g., parent associations in schools or public expenditure tracking surveys) is more compelling, but is usually insufficient to demonstrate whether good results would persist when interventions are scaled up or brought to less favorable governance environments.”¹⁸² Regardless of the inconclusive nature of specific reforms to improve governance, there is a focus on “public sector management, particularly financial management...increase information, community-driven development, decentralization, and support to civil society.”¹⁸³ Since governance is seen as an essential component to economic success, non-governmental organizations (NGOs) are promoting reforms that are more socially inclusive in the responsibility of improved governance. The need to measure and provide assistance to governances in order to improve their strength is vital in lessening discrepancies like corruption.

Weak governance signifies a lack of what governances need to rule a territory or citizens effectively, to include, for example, providing public goods or being held accountable through rule of law as a means to protect the state. Weak or poor

¹⁸⁰ Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, “Measuring Governance,” (Washington, DC: The World Bank Development Research Group Macroeconomics and Growth, October 1999), 13, <http://info.worldbank.org/governance/wgi/pdf/govmatters1.pdf>.

¹⁸¹ Ibid., 16–17.

¹⁸² Research—Knowledge in Development Note: Governance, *World Bank*, accessed July 4, 2016, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:22451020~pagePK:64165401~piPK:64165026~theSitePK:469382,00.html>.

¹⁸³ Ibid.

governance, according to the World Bank, is strongly correlated with “deficiencies in development” or “corruption, distortion of government budgets, inequitable growth, social exclusion, [and] lack of trust in authorities.”¹⁸⁴ According to Daniel Kauffman et al. weak governance manifests “in the form of ineffective rule of law, inadequate protection of property rights, widespread corruption, and ill-advised policymakers serving special interests.”¹⁸⁵ As a result, the state is unable to protect citizens. According to Chilufya Kawelwa, weak governance has an “absence of participation, consensus orientation...freedom of speech, expression, association, transparency, accountability, and no place for rule of law or respect for human rights.”¹⁸⁶ Also, weak governance makes states unable to provide public goods such as health care and education.¹⁸⁷ Since the institutions are deficient on providing public goods or following rule of law, there are known correlations between corruption and weak governances.

Institutions’ (or bodies of rules that make up governance) weaknesses can lead to rules that leave portions of the population disadvantaged and create a hotbed for corruption. Corruption is seen as a sign of weak governance. Examples of corruption in weak governance is what Susan Rose-Ackerman describes as, “Private individuals and business firms pay to get routine services, get to the head of the bureaucratic queue, limit their taxes, avoid costly regulations, obtain contracts at inflated prices, and get concessions and privatized firms at low prices.”¹⁸⁸ Also, in terms of public officials, they may “redesign programs and propose public projects with few public benefits and many opportunities for private profit.”¹⁸⁹ It creates strong distrust among citizens in a

¹⁸⁴ Corruption and Governance, World Bank.

¹⁸⁵ Daniel Kaufmann, Aart Kraay, and Pablo Zoido-Lobaton, “Governance Matters From Measurement to Action,” *Finance and Development* 37, no. 2 (June 2000): 10, http://siteresources.worldbank.org/INTWBIGOVANTCORINSPA/Resources/1745261-1163704849223/fandd_english.pdf.

¹⁸⁶ Chilufya Kawelwa, “Good Governance and What Constitutes Bad Governance,” *Academia*, 4–6, accessed July 4, 2016, http://www.academia.edu/6413378/GOOD_GOVERNANCE_AND_WHAT_CONSTITUTES_BAD_GOVERNANCE.

¹⁸⁷ *Ibid.*, 5.

¹⁸⁸ Susan Rose-Ackerman, “The Challenge of Poor Governance and Corruption,” *Revista Direito* 1, no. 1 (2005): 207, <http://bibliotecadigital.fgv.br/ojs/index.php/revdireitogv/article/viewFile/35253/34051>.

¹⁸⁹ *Ibid.*

government's ability to provide political strength, which creates opportunities for other influences to fill the void. According to Alina Rocha Menocal et al., "the political and economic opportunities available in different political systems, as well as the strength and effectiveness of state, social, and economic institutions, shape the conditions in which corruption can thrive."¹⁹⁰ Institution inefficiencies can create mechanisms for informal institutions to undermine the power of formal (state) institutions through corrupt practices. Thus, the lack of the state to provide public goods can lead to other informal institutions filling the void with corrupt procedures to accomplish what the formal institutions are unable to deliver.

Certain informal institutions that are introduced to fill the gaps, providing what weak formal institutions cannot, opens the door for corruption. Gretchen Helmke and Steven Levitsky describe two types of informal institutions that can harm the state and institutionalize corrupt practices, such as clientelist procedures. Divergent informal institutions attempt to undermine state's institutions by competing with formal institutions through undermining their legitimacy and effectiveness, as well as convergent informal institutions, which substitute formal institutions that may not exist.¹⁹¹ Both forms of informal institutions use clientelist procedures to ensure their survivability or provide strength to disenfranchised or excluded citizens from the traditional political system.¹⁹² These informal institutions can be seen in places where the state is unable to penetrate, for example, in Brazil's poorer state of Piauí, which participate in clientelist procedures to ensure support through vote buying versus richer states, like São Paulo, which use a programmatic approach that pushes the policies to make citizens happy and challenges governors' power.¹⁹³ The programmatic process allows legislators to undermine the governors' ability to use clientelist processes to keep their power while in

¹⁹⁰ Menocal et al., "Why Corruption Matters," 18.

¹⁹¹ Gretchen Helmke and Steven Levitsky, "Introduction," in *Informal Institutions and Democracy: Lessons from Latin America*, ed. Gretchen Helmke and Steven Levitsky (Baltimore, MD: John Hopkins University Press, 2006).

¹⁹² Ibid.

¹⁹³ Scott Desposato, "How Informal Institutions Shape the Brazilian Legislative Arena," in *Informal Institutions and Democracy: Lessons from Latin America*, ed. Gretchen Helmke and Steven Levitsky (Baltimore, MD: John Hopkins University Press, 2006), 58–59.

poor states the clientelist networks allow governors to buy off support without having to push forward policies that could undercut their power. Informal institutions have shown some assistance in weak governances to provide more for their citizens, as is the case in indigenous communities that governments decide to allow informal (non-state sanction) institutions to exist; however, corruption can become institutionalized in most informal institutions and result in citizens losing trust in the state to provide services.

The lack of accountability, as mention previously, is a major factor identified as a deficiency in weak governances and expand the ability of corruption to permeate all aspects of society. Accountability is recognized as essential for strong governance because it requires state officials and citizens to follow the rule of law and protect from abuses from those in power for private gain (corruption). According to Daniel Lederman et al., there is a link between political accountability and strong governance, where “accountability allows for the punishment of politicians that adopt ‘bad policies’ thus aligning politicians’ preferences with those of their citizens.”¹⁹⁴ In strong governances, accountability institutions should handle various aspects of liability. According to Kawelwa, “accountability needs transparency and rule of law...governments and institutions to serve all stakeholders within a reasonable timeframe.”¹⁹⁵ Weak governances either have deficiencies in their accountability institutions or an absence of it all together, which allows for too much discretion for actors.¹⁹⁶ The accountability mechanisms come in several forms and can be eliminated from governances through citizen referendums or leadership maneuvering.

Checks and balances is an accountability mechanism that is meant to lower the possibilities of corruption to occur; however, these accountability mechanisms can be removed by the behest of citizens. Lederman et al. claim check and balances along with separation of power can help “prevent abuses of authority, with different government

¹⁹⁴ Daniel Lederman, Norman V. Loayza, and Rodrigo R. Soares, “Accountability and Corruption: Political Institutions Matter,” *Economics & Politics* 17, no. 1 (March 2005): 5, web.worldbank.org/archive/website00894A/WEB/PDF/ACCOUNTA.PDF.

¹⁹⁵ Kawelwa, “Good Governance and What Constitutes Bad Governance,” 3.

¹⁹⁶ Menocal et al., “Why Corruption Matters,” 18.

bodies disciplining each other in the citizens' favor.”¹⁹⁷ Citizens, however, that recognize the inherent weakness in the government could choose to eliminate accountability mechanisms in order to lessen the means of corrupt actions. Some of the checks and balances mechanisms that are removed include separation of powers in government branches and decree powers given to the executive or president that undermines legislature's ability to provide checks on the president. If the power of rich elites within weak governance is strong than it can pose a greater threat to the most vulnerable parts of society than the removal of checks and balances for the executive. Concurring with Acemoglu et al., corruption by the rich elites through non-electoral means (bribes) is such a substantial risk to the poorest members of society that to vote to dismantle checks and balances allows for the president to effectively redistribute wealth at the acceptance of a “certain amount of unfavorable politician rent or politician's pet policies.”¹⁹⁸ Acemoglu et al. explain through the case of Venezuela, “the fact that Chávez acts as the ‘owner’ of Venezuela and engages in foreign policy that does little for most Venezuelans corresponds to a form of (significant) rents conceded by voters to Chávez in order to get the policies they want in other dimensions.”¹⁹⁹ The policies voters seek are more social development programs that improve their lots in life. Thus, the removal of checks and balances is the best situation for these weak governances' poorest segments of society, who is the most interested in limiting the power of rich elites in a state and gain political goods for their neglected segments of society.

B. NEO-PATRIMONIAL SYSTEMS

Neo-patrimonial systems, along with the removal of certain democratic institutions and accountability mechanisms, can further exacerbate corruption. A neo-patrimonial system blends both patrimonialism and legal-rational domination where office-holders use their positions or public funds to build personal relationships in order

¹⁹⁷ Lederman, Loayza, and Soares, “Accountability and Corruption: Political Institutions Matter,” 5.

¹⁹⁸ Daron Acemoglu, James A. Robinson, and Ragnar Torvik, “Why Do Voters Dismantle Checks and Balances?,” *Review of Economic Studies* 80, no. 3 (July 2013): 871, <http://libproxy.nps.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=89102820&site=ehost-live&scope=site>.

¹⁹⁹ *Ibid.*, 870.

to maintain their power.²⁰⁰ Menocal et al. define, “neo-patrimonial systems as a private appropriation of public resources, centralization of power to a leader who practices ‘personalism or big man syndrome’ to maintain or create those patron-client relations, and where vertical and identity-based relationships have primacy.”²⁰¹ Neo-patrimonial systems incorporate corruption into their practices to ensure access to power. According to Christian Von Soest, “corruption is another symptom of neo-patrimonialism,” that takes place at the “interaction between state and non-state actors.”²⁰² He goes on to claim that it weakens institutional safeguards against corruption and that weak, formal institutions make it a “high profit, low risk activity.”²⁰³ As a result, the accountability mechanisms are inefficient in keeping the cost to participate in corruption lower than the threat of retribution.

Accountability mechanisms are typically weak in neo-patrimonial networks, in order to ensure impunity for the leader to conduct corrupt actions to gain power. The accountability mechanisms that neo-patrimonial networks relay on are typically elections and informal practices.²⁰⁴ Farzana Nawaz explains that the use of elections is not an effective accountability mechanism due to the “concentration of power in the hands of wealthy and/or powerful politicians and weaken political opposition” that will therefore, “limit voter choices at election time.” Elections become manipulated and force the continuation of the neo-patrimonial system. Another accountability mechanism, informal measures, allows for the state to apply pressure on citizens to support the system through “personal relationships and notions of [honor] and loyalty.”²⁰⁵ The use of patronage, thus, gives elites the ability to ensure their power through a support-buying system. For

²⁰⁰ Christian von Soest, “What Neopatrimonialism Is—Six Questions to the Concept,” *ResearchGate*, January 1, 2010, 8, https://www.researchgate.net/publication/242680401_What_Neopatrimonialism_Is_-_Six_Questions_to_the_Concept.

²⁰¹ Menocal et al., “Why Corruption Matters,” 19.

²⁰² Soest, “What Neopatrimonialism Is—Six Questions to the Concept,” 8.

²⁰³ Ibid.

²⁰⁴ Farzana Nawaz, “Corruption and Resource Distribution in Neopatrimonial Systems,” U4 Utstein Anti Corruption Resource Centre (CHR. Michelsen Institute: Transparency International, September 11, 2008), 5, 7, <http://www.u4.no/publications/corruption-and-resource-distribution-in-neopatrimonial-systems/>.

²⁰⁵ Ibid., 7.

example, Clark Gibson and Barak Hoffman argue that leaders will use “tactics such as providing food subsidies to the urban areas to pacify the population and ensure their grip on power,” the leader will than “sacrifice short-term political gains for long-term development and growth strategy,” that will eventually “hurt the availability and consequently [the] access to resources in the long run.”²⁰⁶ The main goal is power and limited sacrifices from the leader. The goal in neo-patrimonial systems is to maintain power through a dependency network that entices people to keep the leader in office. A stronger appearance of improvement in their social situations, the more likely the support (votes) will remain and the more power the leader is able to secure.

C. POPULISM

Weak governance can also manifest in a populist political style that fosters mechanisms to sustain governance’s weak stance and facilitate corruption. Populism has several definitions; however, for this thesis, it is defined as a style of government that focuses on a charismatic leader who represents the rights of the disenfranchised masses through divisive means, typically against the status quo of the political system.²⁰⁷ Vladimir Torres notes, “populism is more a style of doing politics than an ideology.”²⁰⁸ According to Patricio Navia and Ignacio Walker, “populism has been identified with the weakness of democracy, either as a cause or consequence of it [governance’s] weakening.”²⁰⁹ Populist leaders tend to arise from the fringes of the political system, as an alternative to the inefficient status quo. Torres notes that typically “populism arises in the context of political crisis, when the legitimacy of institutions is questioned, and the status quo of the political system seems incapable of responding to the populations’

²⁰⁶ Ibid., 3.

²⁰⁷ Vladimir Torres, “The Impact of “Populism on Social, Political and Economic Development in the Hemisphere,” Policy Paper (Ottawa, Ontario: Canadian Foundation for the Americas, July 2006), 4, http://www.focal.ca/pdf/governance_Torres-FOCAL_impact%20populism%20social%20political%20economic%20development%20hemisphere_July%202006_FPP-06-06.pdf.

²⁰⁸ Ibid.

²⁰⁹ Patricio Navia and Ignacio Walker, “Political Institutions, Populism, and Democracy in Latin America,” in *Democratic Governance in Latin America*, ed. Scott Mainwaring and Timothy R. Scully (Stanford, CA: Stanford University Press, 2008), 4, <https://umshare.miami.edu/web/wda/hemisphericpolicy/8NaviaWalker.pdf>.

demands.”²¹⁰ Legitimacies are questioned in times of extreme crisis in a state and large deficiencies are identified, like corrupt practices.

Weak governances allow for the promotion of populist leaders, who take advantage of the downturn of the country through polarized rhetoric toward the political status quo, as the culprit of the lack of progress or corruption. A populist leader begins to blame the incumbent political system as the root cause of the major crisis and relates any institution and former method of governance as an instrument to their corruption and inefficiencies. For example, Hugo Chávez’s strong rhetoric against the former Punto Fijo elites appealed to the Venezuelan poor, fueled an intense polarization among classes, which translated into an “edifice of power through a succession of elections including...a new constitution.”²¹¹ The new constitution concentrated power at Chávez to include reforms such as, “consecutive reelection for the president and [setting] up an electoral council that is a fourth branch of government.”²¹² Chávez’s rhetoric was used to garner the support necessary to enact policies, even when it did not necessarily provide benefits to his constituents, because of his appealing claim that these policies will remove the ills introduced by the corrupt elites of the former Punto Fijo system. Navia and Walker claim that populist systems, “[result] in political and social policies [not] conducive to either sustained development or to a reduction in poverty and inequality.”²¹³ Once in power, these leaders are forced to create networks that circumvent institutions by more direct participation, since many are on the outside of the traditional political system, including political parties.

Populist leaders typically have no political party mechanism to garner votes or support, which force the need to create a more grassroots initiative among the population

²¹⁰ Vladimir Torres, “The Impact of “Populism on Social, Political and Economic Development in the Hemisphere,” Policy Paper (Ottawa, Ontario: Canadian Foundation for the Americas, July 2006), 4, http://www.focal.ca/pdf/governance_Torres-FOCAL_impact%20populism%20social%20political%20economic%20development%20hemisphere_July%202006_FPP-06-06.pdf.

²¹¹ Michael Shifter, “In Search of Hugo Chávez,” *Foreign Affairs* 85, no.3, (May/June 2006), 48, <http://www.foreignaffairs.com/articles/venezuela/2006-05-01/search-hugo-ch-vez>.

²¹² Shifter, “In Search of Hugo Chávez,” 48.

²¹³ Navia and Walker, “Political Institutions, Populism, and Democracy in Latin America,” 3.

in order to collect the votes. Examples of this direct participation include, a president centralizing power onto them, holding referendums to create new laws that avoid an obstruction from the opposition, or forcing compromise from political elites to push forward the president's agendas. For example, Hugo Chávez was noted as a pioneer of public will and showed, "little desire to build a coherent party, relying instead on the heterogeneous political grouping he calls the Fifth Republic Movement," which included the Armed Forces and citizen power through government-sponsored neighborhood, "Bolivarian Circles."²¹⁴ Furthermore, "once in power, the direct connection that populist leaders claim to have with the people translates into bypassing institutional mechanisms, and direct-clientelism prevail[ing] in the state-citizen relationship."²¹⁵ This can be seen through populist leaders acquiring support through "vote buying" or exchanging goods and services for support at the polls, similar to the neo-patrimonial systems. Corruption, as their main vehicles for acceptance, in the populist political system is not removed. The clientelism networks that populist leaders create replaces the incumbent corrupt political systems, which results in corruption intensifying, because it has replace the traditional role of political parties with clientelist procedures to collect votes and support from its power base.

The populist style uses the democratic system of elections to further legitimize its position domestically and internationally while institutionalizing corruption. Thus, "populism becomes a viable 'political regime.'"²¹⁶ Corrupt practices become necessary and institutionalized for populist leaders to gain support, with the appearance that the public is condoning the action through their vote. Populist leaders use democratic practices to distance its regimes from authoritarian systems, because it is able to claim that the people had a choice. The difference between the democratic practices of populist systems versus non-populist systems is the suppression of opposition voices. Torres claims that it provides justification for "the suppression of civil society's independent

²¹⁴ Shifter, "In Search of Hugo Chávez," 48,49.

²¹⁵ Torres, "The Impact of "Populism on Social, Political and Economic Development in the Hemisphere," 5.

²¹⁶ Navia and Walker, "Political Institutions, Populism, and Democracy in Latin America," 17.

organizations.”²¹⁷ The removal of democratic institutions, like political parties, exposes a country to hidden corruption within democratic practices to claim an appearance of legitimacy. Next, the chapter describes how weak governance manifests in Venezuela throughout its transition to democracy until the application of Chávismo.

D. PUNTO FIJO 1958–1998

Corruption persisted throughout Venezuela’s experiment of democracy, not just from the introduction of the Bolivarian Revolution in 1998. John Chasteen illustrates that in Latin America, “patronage politics made corruption...a necessary part of the [political] system.”²¹⁸ Venezuela’s experiment of democracy began in 1958 with the overthrow of the corrupt dictatorship of Marcos Pérez Jiménez and employment of free elections. The initiation of democracy dealt with issues of power distribution with political parties and other institutions vying for power. According to Terry Lynn Karl, the political party, *Acción Democrática* (AD), was the first party to lead, with party founder Rómulo Betancourt, and as a result had the strongest power position entering into the negotiations for Punto Fijo.²¹⁹ There were other political actors, like the military, Catholic Church, and other political parties like *Comité de Organización Electoral Independiente* (COPEI), which also vied for power and desired to curb the AD while gaining their own positions. The goal of players, ultimately, was to limit the power of the AD from complete radicalization of the democratic system.

Pacto de Punto Fijo incorporated Venezuela’s influential political players into an agreement for all players to secure spoils of the state and preserve democracy. Prior to the first ever-Venezuelan elections in 1958, all political parties running signed the Pacto de Punto Fijo, binding all the presidential candidates to the “same basic political and

²¹⁷ Torres, “The Impact of “Populism on Social, Political and Economic Development in the Hemisphere,” 13.

²¹⁸ John Charles Chasteen, *Born in Blood and Fire: A Concise History of Latin America*, 3rd ed. (New York: W.W. Norton & Company, 2011), 123.

²¹⁹ Terry Lynn Karl, “Petroleum and Political Pacts: The Transition to Democracy in Venezuela,” *Latin American Research Review* 22, no. 1 (1987): 73, <http://www.jstor.org.libproxy.nps.edu/stable/2503543>.

economic program, regardless of the electoral outcome.”²²⁰ Key provisions of the pact were intended for other political players, not just the political parties. For example, the military was to become “apolitical, obedient, and non-deliberative” in exchange for modernization of equipment, improvement of economic situation, and maintenance of obligatory military service.²²¹ Also, the Church received new legal status and higher subsidies from all political parties.²²² The Political parties, AD and COPEI, gained a political truce that involved depersonalization of debates, consultation among parties, formation of coalitions, and equitable distribution of state spoils.²²³ Many organizations, therefore, benefited while citizens only had more to lose. Karl identifies that the pact was “a classic exchange between ‘the right to rule for the right to make money.’”²²⁴ The distribution of spoils manifested into “state jobs and contracts, partitioning of the ministries, and a complicated spoils systems the ensured political party survivability.”²²⁵ The agreement provided benefits for all the players involved in the creation of the pact; however, it exposed the state to spreading corruption farther than the military dictatorships of the past had within their inner circles.

Corruption allegations surrounded Punto Fijo, which ultimately jeopardized democratic legitimacy and laid the foundations for Hugo Chávez. The pact created a system of sharing oil wealth among party members that lent to more stability to Venezuela than other Latin American countries but at a hefty price: corruption and a dependence on oil revenues. Leslie Gates claims that political corruption was necessary to secure democracy because it “generat[ed] the large middle-class of consumers, which in turn, helped support a growing industrial sector.”²²⁶ Gates goes on to claim that

²²⁰ Terry Lynn Karl, “Petroleum and Political Pacts: The Transition to Democracy in Venezuela,” *Latin American Research Review* 22, no. 1 (1987): 82, <http://www.jstor.org.libproxy.nps.edu/stable/2503543>.

²²¹ *Ibid.*, 83.

²²² *Ibid.*

²²³ *Ibid.*

²²⁴ *Ibid.*, 85.

²²⁵ Karl, *Petroleum and Political Pacts in Venezuela*, 83.

²²⁶ Leslie Gates, “The Politics of Corruption in Venezuela,” 2, accessed January 19, 2016, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.551.6879&rep=rep1&type=pdf>.

corruption “was viewed as an important means of stabilizing the two multi-class parties” rather than a tool of subjugation of the poor.²²⁷ Venezuela’s political transition to democracy saw corruption as the necessary means to balance power among feuding elites through a clientelist network of power sharing between AD and COPEI; however, the system could not be continual. According to Jennifer McCoy, “state subsidies gave everyone a bit of the wealth, but income distribution remained inequitable and the parties gradually took control of most organizations within civil society.”²²⁸ The argument lends itself to the idea that power could not simply remain at the political parties’ elites, despite their attempts to keep it concentrated at their positions. McCoy claims that the inability of Punto Fijo to expand their inner circle and adjust to societal changes led to the growing “perception that the two major parties who alternated in power throughout Venezuela’s democratic history were becoming increasingly centralized, corrupt, and out of touch with the needs of the general population.”²²⁹ The corruption that was once seen as necessary to temper party competition has shown to tip the balance of power too much to the political party elites at the detriment of the neglected rest of society. In the 1970s, President Carlos Andrés Pérez was identified as one of the “wealthiest Latin Americans,” which began suspicion as to where his money was coming from.²³⁰ The image of Pérez and other members of Punto Fijo as corrupt opened up the political arena for alternative political systems.

The populace’s view of politicians as corrupt combined with the neoliberal measures enacted to resuscitate the economy created an environment of civil unrest and demands for change. A failed coup attempt in 1992 to oust President Pérez led to a political alternative challenging the current system. Thus, Hugo Chávez, the coup organizer, became a hero to the people. The coup organizers were military members from

²²⁷ Ibid.

²²⁸ Jennifer McCoy, “The Demise of a Regime: The Transition from Punto Fijo to the Fifth Republic in Venezuela” paper presented at the LASA Congress, Miami, FL, March 15, 2000, 3, <http://lasa.international.pitt.edu/Lasa2000/McCoy.PDF>.

²²⁹ Ibid.

²³⁰ Phil Davison, “Carlos Andrés Pérez: President of Venezuela during the Oil,” *The Independent*, December 28, 2010, <http://www.independent.co.uk/news/obituaries/carlos-andr233s-p233rez-president-of-venezuela-during-the-oil-boom-who-was-later-forced-out-of-2170933.html>.

a group called the Revolutionary Bolivarian Movement 200 (MBR 200), whose goal was to regain “patriotic values, dignify the military career, and fight against corruption.”²³¹ At the time of the coup, the *Caracazo* riots occurred over austerity measures that included cuts to “populist and clientelist government programs”²³² as well as massive cuts to the military’s pay and benefits.²³³ President Pérez decided to use the military to subdue protests, leading to 400 dead.²³⁴ A member of the MBR 200, Lieutenant Colonel Jesus Urdaneta (ret.), claimed that, from that moment (*Caracazo*), the only viable means to initiate change in the country was force.²³⁵ The MBR 200 seized the moment on February 3, 1992, to accomplish their aspirations with a coup d’état throughout Venezuela. The key locations hit were the presidential residence “*La Casona*,” *Miraflores* place, *Generalísimo* Francisco Miranda air base, military headquarters at *Fuerte Tiuna* army barracks, along with four major cities’ government and economic installations.²³⁶ Despite their successful objectives at obtaining control of major political and military locations, the coup members did not meet the most crucial goal, which was to remove President Pérez from office. The coup propelled its leader, Hugo Chávez, to heroic popularity throughout Venezuela.²³⁷ Hugo Chávez asks as a condition to his surrender to appear on television to call on his collaborators surrender and a stop to the violence.²³⁸ According to Margarita López Maya, “his image...moved Venezuelans who were disgusted by irresponsible, insensitive, and corrupt politicians,”²³⁹ while Teodoro

²³¹ Margarita López Maya, “Venezuela: Hugo Chavez and the Populist Left,” in *The Resurgence of the Latin American Left*, ed. Steven Levitsky and Kenneth M. Roberts (Baltimore, MD: John Hopkins University Press, 2013), 215.

²³² Harold A. Trinkunas, *Crafting Civilian Control of the Military in Venezuela : A Comparative Perspective* (Chapel Hill, NC: University of North Carolina Press, 2005), 157, <http://site.ebrary.com/lib/alltitles/docDetail.action?docID=10273445>.

²³³ “Carlos Andrés Pérez,” *The Economist*, January 6, 2011, <http://www.economist.com/node/17848513>.

²³⁴ Ibid.

²³⁵ *The Hugo Chavez Show*, directed by Ofra Bikel, (PBS Frontline, 2008), <http://www.pbs.org/wgbh/pages/frontline/hugochavez/view/>.

²³⁶ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 156.

²³⁷ Kirk A. Hawkins, *Venezuela’s Chavismo and Populism in Comparative Perspective* (New York: Cambridge University Press, 2010), 17.

²³⁸ *The Hugo Chavez Show*; López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 216.

²³⁹ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 216.

Petkoff viewed the event as a spark that the nation was yearning for and thus began the creation of Hugo Chávez as the savior of Venezuela.²⁴⁰ The coup's defeat and later incarceration was the necessary components for Hugo Chávez to promote an alternative government.

The coup may not have obtained their goal, but it did mark the beginning of the end for the disgraced president, with his impeachment and house arrest a year later. By 1993, President Pérez was impeached due to corruption charges of “diverting \$17 million of public money to a secret fund,” but his legitimacy was already damaged with a failed economy due to the 1980s oil bust, inability to sell austerity measures that affected the poorest segments of society, and the 1992 coup.²⁴¹ Pérez claimed the funds went toward Violeta Chamorro's campaign for president of Nicaragua.²⁴² According to López Maya, the “president's destitution,”²⁴³ along with other significant social unrests, led to the final demise of Punto Fijo. Corruption no longer remained a tool for stability among political parties but now an element of disapproval from its citizens.

E. THE RISE OF HUGO CHAVEZ, THE POLITICIAN

Hugo Chávez, while imprisoned, began to reevaluate the approach of effecting the government through force and decided to play the democratic game. Mentors like Luis Miquellina and Nedo Paniz, assisted in a new democratic plan to change Venezuela and convinced Chávez to abandon the military approach.²⁴⁴ Chávez, along with the MBR 200, soon entered political life after their release from prison in March 1994, through a vigorous campaign, or “street activism.”²⁴⁵ Hugo Chávez became the face of a new movement, the Fifth Republic Movement (MVR), which created a “parallel structure to the MBR 200; they used this vehicle to run in and ultimately win the December 1998

²⁴⁰ The Hugo Chavez Show.

²⁴¹ Margarita López Maya, “Venezuela: Hugo Chavez and the Populist Left,” in *The Resurgence of the Latin American Left*, ed. Steven Levitsky and Kenneth M. Roberts (Baltimore, MD: John Hopkins University Press, 2013), 214; “Carlos Andrés Pérez,” January 6, 2011.

²⁴² “Carlos Andrés Pérez,” January 6, 2011.

²⁴³ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 214.

²⁴⁴ *The Hugo Chavez Show*.

²⁴⁵ *Ibid*.

presidential elections.”²⁴⁶ From these activist beginnings, the political outsider was able to penetrate Venezuela’s government and enact radical changes to the status quo of Venezuela.

The populist approach to centralization under one charismatic leader, penetrated Venezuela through the structure of the MVR and the 1999 constitution that institutionalize corruption. The MVR became the means for Chávez to gain political support, as much as a political party would for a politician running for office. Conversely, unlike traditional political parties, MVR was created without “internal debate or any pretensions of providing an ideological formation for its members...thus, it facilitated an organizational style in which the personal nature of authority became decisive.”²⁴⁷ As a result, the inability of “collective leadership” meant that Chávez was an “indispensable part” of its survival.²⁴⁸ As mention previously in the chapter, Chávez had no desire to make MVR a political party, because he was able to concentrate power with virtually no opposition. MVR remained fragile and at the whim of Chávez and his prerogatives for party ideologies, which made Chávez an uncontested force in the political arena.

F. START OF CHÁVISMO

The start of Chávismo began with Hugo Chávez’s first term through the creation of a new constitution that created a populist, neo-patrimonial system, consistent with his Bolivarian Revolution. The Bolivarian Revolution, named after the 19th century Venezuela liberator, Simón Bolívar, was created as a peaceful movement to enact a democratic socialism that “repels perceived imperialism and rewards nationalism while promoting economic self-sufficiency of the nation as a whole.”²⁴⁹ The timing of the Revolution occurred within the context of Venezuela as a “disoriented economy, with a social fabric worn thin as the result of poverty, a growing informal sector, rising unemployment rates, insecurity, and corruption [that] all contributed to undermining the

²⁴⁶ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 216.

²⁴⁷ Ibid., 217.

²⁴⁸ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 217.

²⁴⁹ Bridget Johnson, “What Does Hugo Chavez Mean by a Bolivarian Revolution?,” *About.com News & Issues*, accessed July 5, 2016, <http://worldnews.about.com/od/venezuela/f/bolivarianrevolution.htm>.

bases of democracy, which was sustained by the political parties, institutions, and politically powerful groups since 1958.”²⁵⁰ López Maya claims that at this time people radicalized and wanted to get rid of the old elites and thus, was susceptible to the “possibility for a populist rupture.”²⁵¹ Accordingly, Chávez was able to incorporate populist traits such as the “radical and polarizing anti-neoliberal discourse like, for example, Chávez calling to ‘fry the heads’ of the corrupt traditional elites.”²⁵² The staying power of Chávez’s charisma allowed for populism to take root.

The new constitution incorporated participative democratic elements into the populist system. Political reforms endorsed in the constitution created a more “participative and [protagonist]” democracy through four types of popular referenda and provided for legislative initiatives, assemblies, and other participatory measures.²⁵³ Other changes involve the removal of the Senate and creation of a unicameral *Asamblea Nacional* (Article 186), president’s decree powers (Article 236), and prohibition of public financing for political parties (article 67).²⁵⁴ The participatory democracy approach involved a stronger centralization on the president and a weakness of the opposition forces through traditional political structures, seen as a means to replace the status quo of Punto Fijo. López Maya also claims social reforms included an extension of human rights through the protection of the right of indigenous groups to self-determination and secure respect for culture, environmental rights, recognition of domestic work as value economic activity, and housewives’ right to social security.²⁵⁵ Economically, the state was the center for control of oil resources and thus, the state became able to expropriate land and firms for political and economic motives as well as maintain the goal of wealth redistribution, all under the control of the president.²⁵⁶ These constitutional changes

²⁵⁰ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 219; *The Hugo Chavez Show*.

²⁵¹ *Ibid.*, 220.

²⁵² *Ibid.*, 219.

²⁵³ *Ibid.*, 220.

²⁵⁴ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 1999, <http://venezuela-us.org/live/wp-content/uploads/2009/08/constitucioningles.pdf>.

²⁵⁵ López Maya, “Venezuela: Hugo Chavez and the Populist Left,” 221.

²⁵⁶ Francisco Rodríguez, “An Empty Revolution,” *Foreign Affairs* 87, no. 2, (January 28, 2009): 51–52, <https://www.foreignaffairs.com/articles/venezuela/2008-03-02/empty-revolution>.

allowed for the rise in corruption by removing traditional democratic institutions, to include key accountability and separation of power mechanisms, because they were the tools of the corrupt Punto Fijo system. The centralization of power in Chávez, gave him power to orchestrate neo-patrimonial networks among Chávismo supporters, also known as Chavistas.

1. Military Evolution

Another major reform in the 1999 constitution was with the military's oversight and their roles and missions in social development that created a powerful neo-patrimonial network between the Armed Forces and Chávez. The military was protected under Hugo Chávez, who saw them as an underutilized force in relation to domestic issues consistent with Chávismo. Deborah Norden acknowledged that the Venezuelan government "approached the military as a potential political partner, rather than the politically neutral instrument envision in the liberal model."²⁵⁷ Petkoff described Chávez's Venezuela as, "for all practical purposes... a government of the Armed Forces."²⁵⁸ The Constitution gave the military the right to vote (article 330), remove the legislative's role in military promotions (article 331), and the mission of "active participation in national development" (article 328).²⁵⁹ Hugo Chávez said in his 1999 inaugural speech that "our brothers-in-arms cannot be locked away in barracks, on naval bases, and air bases with their great ability, great human capital, and vast resources as if they were deactivated, as if it were another world separate from an astonishing reality, a cruel reality that clamors for an injection of resources, morale, and discipline."²⁶⁰ The new role created a strong tie between the military and the political government, with what Deborah Norden illustrates, the replacement of military officers in public administration

²⁵⁷ Deborah L. Norden, "Latin American Militaries in the 21st Century: Civil-Military Relations in the Era of Disappearing Boundaries," in *Routledge Handbook of Latin American Security*, ed. David R. Mares and Arie M. Kacowicz (New York: Routledge, 2016), 246.

²⁵⁸ Shifter, "In Search of Hugo Chávez," 49.

²⁵⁹ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 118.

²⁶⁰ Leopoldo E. Colmenares, "Criminal Networks in Venezuela: Their Impact on Hemispheric Security," *Military Review*, no. January-February (2016): 55, http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20160228_art012.pdf.

have them committed to the “political agenda” of the administration.²⁶¹ Corruption began to be linked to the military, due to their positions in the government, politicization among the officer corps, and secretive manner of the programs’ finances.

The military oversight control was altered to remove the Asamblea Nacional for the president, to include officer’s promotions. The promotion system became the “exclusive prerogative of the National Armed Forces,”²⁶² which removed legislation’s approval from the process. The President’s new responsibility with the military was marked in Article 236, “to exercise supreme command over the National Armed Forces, promote their officers to the rank of colonel or naval captain and above, and appoint them to the positions exclusively reserved to them.”²⁶³ This right was extended to all ranks through the 2002 Organic laws or *Ley Orgánica de la Fuerza Armada*. The reform placed the onus of military leadership directly on the president, omitting other forms of civilian oversight to manage the forces. The change diminished the guarantee that promotions were conducted through “merit, hierarchy, and vacancies”; thus, possibly determined by political loyalty instead.²⁶⁴ Trinkunas argues that the action of removing the constitutional protection of legislative oversight on promotions, removed the “important effect of self-censoring ambitious military officers into compliance with the policies of elected officials.”²⁶⁵ Leopoldo Colmenares also states that the “high number of charges of corruption, illicit opportunism, and criminal activities demonstrated that, more simply supporting Chávez and the ‘revolution,’ a strong number of those individuals [military officers] sought personal gain.”²⁶⁶ The reform created a neo-patrimonial network among military officers whose loyalties were obtained through rank, furthering corruption among military officers.

²⁶¹ Deborah L. Norden, “Latin American Militaries in the 21st Century: Civil-Military Relations in the Era of Disappearing Boundaries,” in *Routledge Handbook of Latin American Security*, ed. David R. Mares and Arie M. Kacowicz (New York: Routledge, 2016), 246.

²⁶² Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 118.

²⁶³ *Ibid.*, 83.

²⁶⁴ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 212.

²⁶⁵ *Ibid.*

²⁶⁶ Colmenares, “Criminal Networks in Venezuela,” 59.

The military roles and missions reform of leading social development programs additionally raised corrupt influences on Venezuela with their use in bureaucratic, political capacity with no oversight or accountability mechanisms. Since Chávez knew best and trusted the institution, along with the new controls bestowed to him in the constitution, the use of military officers appeared to facilitate the most efficient vehicle for his agenda. Chávez was able to not only place military members, both active duty and retired, in political and bureaucratic positions throughout the government,²⁶⁷ the control of their promotions and assignments made loyalty ensured. Initiatives like Plan Bolívar 2000 and later Misiones were the vehicles in which the military was politicized and allegations of corruption began to surface. Examples of military social development jobs included, “infrastructure refurbishment and construction, health care for the poor, combating illiteracy and unemployment, and food distribution.”²⁶⁸ It also involved the hiring of civilians under the direction of military officers and soldiers selling “basic goods at below-market prices to hold down costs in lower- and working-class marketplaces.”²⁶⁹ Reports of corruption emerged with Plan Bolívar 2000, through irregularities in the administration of the initiatives’ monies and “diversion of government resources into funding a civic action plan under the auspices of the military, which used secret regulations to shield its activities from scrutiny.”²⁷⁰ Also, reports surfaced that “more than \$150 million bolivars disappeared from the plan without any accountability for expenditures.”²⁷¹ Colmenares claims that investigations in these allegations found irregularities and charges were filed against key members in charge of the finances; however, no legal discipline resulted.²⁷² The impunity of the military was thus solidified and continued the neo-patrimonial system of military loyalty to Chávez

²⁶⁷ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 213; Colmenares, “Criminal Networks in Venezuela,” 55.

²⁶⁸ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 215.

²⁶⁹ Ibid.

²⁷⁰ Ibid., 216.

²⁷¹ Colmenares, “Criminal Networks in Venezuela,” 56.

²⁷² Ibid.

through lucrative assignments that provided personal gain to the military officers at the expense of the citizen.

2. Social Development

In 2003, the Missions or misiones were created as an evolution of Plan Bolívar 2000 and a means to garner support to promulgate Chávismo, which resulted in furthering corruption through the rewarding of loyalty with program scholarship. The aim of the Misiones were to target the poorest segments of the nation through socialist programs in health care, education, food distribution, administration of identification cards, housing, and job-creation co-operatives.²⁷³ The financing of these projects came from the state-ran oil company, PDVSA, and managed by the president.²⁷⁴ Michael Penford-Becerra argues that Chávez used misiones as a political tool through a neo-patrimonial network, where states loyal to Chávez, with Chavista governors, “benefited more in terms of access to scholarships than those states controlled by the opposition.”²⁷⁵ Penford-Becerra argues that one specific mission, *Misión Ribas*, was a clientelistic network that “mix[ed] public and excludable goods [cash transfers] within a program, the government was able to secure their political investment by making credible their popular appeal, but also ‘buying’ support through networks developed at the regional level with the backing from Chavista governors.”²⁷⁶ Corruption was cemented into the political practice of Venezuela, with Chávez’s prerogatives to accomplish his agenda in a concentrated clientelist framework maintained through presidential control.

G. VENEZUELA’S GOVERNANCE AND CORRUPTION

Hugo Chávez incorporated a populist style of government that created a parallel structure to the democratic institutions in place, including removing accountability

²⁷³ Michael Penfold-Becerra, “Social Funds, Clientelism, and Redistribution: Chávez’s ‘Misiones’ Programs in Comparative Perspective” (Instituto de Estudios Superiores de Administración, 2005), 4, http://siteresources.worldbank.org/INTDECINEQ/Resources/1149208-1147789289867/IIIWB_Conference_SocialFunds_Clientelism.pdf.

²⁷⁴ Ibid.

²⁷⁵ Ibid.

²⁷⁶ Ibid.

mechanisms, which accelerates corruption. According to Norberto Ceresole, Chávez's Venezuela fits the mold of a post-democracy, which is a "regime with a central charismatic leader, the army fulfilling the role of the 'party,' and the mobilization of the people through direct links with the leader."²⁷⁷ Key elements of populist governments are found throughout Chávez's rhetoric, with his anti-neoliberalism and anti-globalization positions, polarization of Chavistas versus anti-Chavistas, military involvement in politics and social development, and centralization of the government under the president's control. The government, during the highest rates of oil prices, saw "unbridled spending...[that] exacerbated the state's paternalism."²⁷⁸ Vladimir Torres claims issues with Venezuela's centralization of power on the president that permeated into the electoral body: "international electoral observers highlighted a lack of trust in Venezuela's National Electoral Council," with "high levels of inaccuracies and illegalities in the permanent electoral registry," where the Venezuelan government has "denied independent auditing of the registry"²⁷⁹ to investigate allegations. Torres claims, "neo-populist grip on power, increased by the oil-generated resources, allows [Venezuela] to show its contempt and disregard for democratic demands."²⁸⁰ The push for populist leaders, like Chávez, to seek power through the disregard of democratic practices led Venezuela to see a change in their perception of corruption, due to the increase need to use clientelist networks to secure power.

The perception of corruption began to change throughout the implementation of Chávismo, one year after the ratification of the constitution. According to López Maya, weak liberal institutions marked Chávez's Venezuela, along with no separation of powers or fully competitive elections, and blurring of state, government, party, and participatory social organization boundaries.²⁸¹ She also claims, "the diversity of participatory innovations from the first period (1998-2006) was weakened in order to make space for

²⁷⁷ Torres, "The Impact of "Populism on Social, Political and Economic Development in the Hemisphere," 9.

²⁷⁸ Ibid., 9.

²⁷⁹ Ibid., 12.

²⁸⁰ Ibid.

²⁸¹ López Maya, "Venezuela: Hugo Chavez and the Populist Left," 236.

the communal councils ... [as well as] civil and political rights were [also] weakened.”²⁸² According to Latinobarómetro surveys, the percentage of citizens that believe corruption has increased rose to 72.6% out of 1200 respondents in 2002 from 52.5% in 2000, at the start of Chávismo.²⁸³ While the numbers are not in the 90th percentile, like during the late 1990s, it does show that a majority of those polled believed that corruption rose with the 2001 Latinobarómetro surveys, also claimed that 86.3% of citizens polled believed that corruption was a very serious issue for Venezuela.²⁸⁴ While it is difficult to pinpoint corruption’s rise to the introduction of Chávismo, based on the new reforms’ dependence on clientelist networks has shown corrupt practices filling a gap left by the removal of traditional institutions like political parties. Thus, corruption as the tool of obtaining support among the weak institutional structure that Chávismo created shows similarities to what occurred during Punto Fijo. The difference between Punto Fijo and Chávismo is Chávismo’s incorporation of the poor through vote buying, making those voters more willing to give up accountability and transparency for continued support of social programs.

H. CONCLUSION

Hugo Chávez became the 64th president of Venezuela in 1998 and created a new form of government that focuses on populist and neo-patrimonial principles. The principles include, a redistribution of wealth and reduction of corruption with the use of polarizing rhetoric, centralization of power at the executive, and support buying through social development projects and Chavistas’ advancement. By 2000, Transparency International’s Corruption Perception Index ranked Venezuela 71st with a score of 2.7.²⁸⁵ Fifteen years after the introduction of Chávismo, Venezuela climbed up to 161st with a score of 19.²⁸⁶ According to Leslie Gates, “according to the... Corruption Perception

²⁸² Ibid.

²⁸³ Latinobarómetro Database, Latinobarómetro, accessed May 13, 2016, <http://www.latinobarometro.org/latOnline.jsp>.

²⁸⁴ Ibid.

²⁸⁵ “How Corrupt Is Your Country?,” Transparency International, 2014, <http://www.transparency.org/cpi2014/infographic>.

²⁸⁶ Ibid.

Index, Venezuela's corruption has been getting worse since 2002... [and] Venezuela's level of transparency in the region, its CPI score was the lowest in history at 2.0 in 2007."²⁸⁷ She goes on to state "furthermore, 2007 was only the third time in the history of Transparency International's ratings that Venezuela ranked higher than 90th percentile—indicating that 90% of countries were perceived as having better transparency than Venezuela."²⁸⁸ Corruption, which was the reason for the disillusionment of Punto Fijo, increased dramatically, along with the continuation of weak governance, through Chávismo. Corruption became the tool of the populist and neo patrimonial system of Chávismo because of its need to gain support through clientelist procedures such as the social development programs of Plan Bolívar 2000 and Misiones, significant constitutional changes that increased power to the president, and removal of accountability mechanisms. The result was weaker governance than before that exacerbated corruption through its political system. Scholars, like Jennifer McCoy and Leslie Gates, argue that the clientelist network created under Punto Fijo was a stabilizing necessity to ensure the survivability of democracy and thus, was a success story amid the collapse of democracies throughout Latin America.²⁸⁹ Unfortunately, the dramatic drop in oil prices in the 1980s and the unpopular neo-liberal policies created an image of corruption as the malefactor of the weakness of the state. The opportunity that the turbulent times created in Venezuela allowed the ability of populist rhetoric to penetrate and create Chávismo. Michael Shifter claims, "regardless of whether the conditions of Venezuela's poor have marginally improved or marginally worsened under Chávez, his 'Bolivarian Revolution' is hardly a sustainable model...its approach is fundamentally clientelistic, perpetuating dependence on state patronage rather than promoting broad-base development."²⁹⁰ As a result, Chávismo has shown to have further weakened Venezuela's governance through the institutionalization of clientelist networks that used the social programs as a bribe to obtain more centralized power in the state. The outcome

²⁸⁷ Gates, "The Politics of Corruption in Venezuela," 5.

²⁸⁸ Ibid.

²⁸⁹ Gates, "The Politics of Corruption in Venezuela," 3; McCoy, "The Demise of a Regime."

²⁹⁰ Shifter, "In Search of Hugo Chávez," 51.

is a steady rise in corruption's perception than under the previous pluralist two-party Punto Fijo system. Venezuela's vicious cycle was created within its weak governance model, Chávismo, forming a dependency on corrupt practices to sustain its power despite corruption being the very issue that primed the population to demand a new political system. The result becomes Venezuela holding redistribution of wealth through social development programs at ransom for loyalty to Chávismo.

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III. VENEZUELA OIL CURSE

In 2015, Venezuela surpassed Saudi Arabia as the world's largest reserve of oil,²⁹¹ which poised the state to be the pinnacle of economic strength; however, the country is far from a beacon of economic prosperity. A closer look at the petroleum giant reveals a state struggling with a corrupt government, an opportunistic military establishment, a weak industrial/service economy, and an over-dependence on oil revenue.²⁹² Richard Auty analyzed this occurrence in a theory called the "Resource Curse," which he explains happens when "a country, usually developing, has an abundance of a natural resource that is in high demand. The resource creates a dependent, inflated economy and leads to conflict, corruption, and poverty."²⁹³ Venezuela experienced times of high oil revenues in the early 2000s that shielded President Chávez's cracked economic policies. What exactly occurred under the umbrella of high oil revenue that intensified the Resource Curse in Venezuela during Chávez's presidency, thus increasing corruption? Chapter III defines the Resource Curse, how it manifested in Venezuela's economic policy through a Rentier State and Dutch Disease further intensifying corruption, and how President Hugo Chávez's Cháveznomics was protected under high oil revenue, which allowed the premisses of poor economic decisions. Cháveznomics resulted in creating a Rentier state that due to poor economic policies suffer from Dutch Disease, lack of transparency, and increased clientelist relationships deepening corruption under the umbrella of high oil revenue.

A. RESOURCE CURSE

The Resource Curse theoretically identifies the potential downsides of a country rich in non-renewable mineral resources like oil. The theory claims that a country with an

²⁹¹ Top 10 Countries with the World's Biggest Oil Reserves, *Global Europe Anticipation Bulletin*, accessed June 1, 2016, <http://geab.eu/en/top-10-countries-with-the-worlds-biggest-oil-reserves/>.

²⁹² Albert Fishlow, "The Curse of Oil-Stoked Populism," 2013 Legatum Prosperity Index, Prosperity in Depth: Venezuela (London: Legatum Institute, November 2013), <https://lif.blob.core.windows.net/lif/docs/default-source/country-growth-reports/pid-2013-venezuela-the-curse-of-oil-stoked-populism.pdf?sfvrsn=0>.

²⁹³ Catilin Huber, "The Resource Curse: Venezuela, Oil, and Poverty," *BORGEN*, March 13, 2015, <http://www.borgenmagazine.com/resource-curse-venezuela-oil-poverty/>.

abundance of oil may eventually suffer understandably from an overdependence on that resource. The International Monetary Fund (IMF) defines mineral dependence as “minerals [that] account for 25% or more of the value of [a country’s] merchandise exports.”²⁹⁴ Such oil over-dependence can lead to a decline in economic growth because oil actually becomes “an obstacle to development.”²⁹⁵ Oxford Policy Management determined the “risk that substantial changes in commodity prices” can impact a country’s development.²⁹⁶ Additionally, several countries are seen to have “squandered” their oil revenue, like Nigeria. Nigeria earned \$350 billion in oil revenues since their independence but saw their economy shrink from \$1,113 GDP in 1970 to \$1,084 GDP in 2000 while poverty rose from 36% to 70%.²⁹⁷ There has been extensive research on the reasons why countries with an influx of revenue through their valuable natural resource lead to adverse economic and social health.

Previous assumptions thought that a country with rich resources would become a stronger state. In the 1950s and 1960s, Erika Weinthal and Pauline Jones Luong described that the logic from development economists was that “[resource-rich] countries would grow much faster than their resource-poor counterparts precisely because their mineral wealth would provide them with the necessary capital to industrialize and diversify their exports.”²⁹⁸ Nevertheless, the assumption was that increased money would automatically create the desire to diversify and industrialize. No thought was given to how the increase in money might bring about other initiatives that favored a reallocation of the revenue to a more concentrated sector of the population. The research began to change in the 1960s-1990s, in those resource rich and poor countries. Examples include the East Asia “tigers,” mineral-poor countries that saw an increase in economic growth

²⁹⁴ Dan Haglund, “Blessing or Curse? The Rise of Mineral Dependence Among Low- and Middle-Income Countries” (Oxford, United Kingdom: Oxford Policy Management, December 2011), <http://www.eisourcebook.org/submissions/1325523556OPMBlessingorcursereport2011.pdf>.

²⁹⁵ John L. Hammond, “The Resource Curse and Oil Revenues in Angola and Venezuela,” *Science & Society* 75, no. 3 (2011): 348, <http://search.proquest.com/openview/870f905f79912016d9f1acb7846da63d/1?pq-origsite=gscholar>.

²⁹⁶ Haglund, “Blessing or Curse.”

²⁹⁷ Erika Weinthal and Pauline Jones Luong, “Combating the Resource Curse: An Alternative Solution to Managing Mineral Wealth,” *Perspectives on Politics* 4, no. 1 (March 2006): 35.

²⁹⁸ *Ibid.*, 36.

from the early 1960s to the 1990s, while the Latin American mineral-rich countries, experienced economic stagnation or decline.²⁹⁹ It was not until the 1990s that researchers started to see natural resources as a potential curse and even the “root-cause of [country’s] political and economic problems.”³⁰⁰

Results of the Resource Curse led to poor standing in corruption and governance ratings. Oil-rich countries had the lowest global ranking in the 2006 World Bank Governance Research Indicators and Transparency International’s Corruption Perception Index.³⁰¹ Other factors that are judged to measure governance strength include government types and standards of living, shared the same low global rankings with government systems being authoritarian or those that actively impede democratic transitions. Oil acknowledged as a curse for a state allowed the research to change former assumptions, with a shift toward studying the downfall of the economy and political systems.

Research also shows a strong correlation between countries that show a high dependence on oil exports, corruption, and poor governance. The primary reason has to do with the incentives generated by windfall revenue for the ruling elites.³⁰² Alina Rocha Menocal et al. also articulate that the dependence on windfall oil rents show an autonomy of the state from its citizens, or the requirement to answer the public through political goods. This freedom decreases the need for “accountability, disarticulating the link between state and society, enabling those who rule to command vast patronage networks”³⁰³ Government public services become a “favor” rather than a “right” that can be demanded by the population.³⁰⁴

²⁹⁹ Erika Weinthal and Pauline Jones Luong, “Combating the Resource Curse: An Alternative Solution to Managing Mineral Wealth,” *Perspectives on Politics* 4, no. 1 (March 2006): 36.

³⁰⁰ *Ibid.*, 37.

³⁰¹ *Ibid.*, 36.

³⁰² Alina Rocha Menocal et al., “Why Corruption Matters: Understanding Causes, Effects and How to Address Them,” (UK: Department of International Development, January 2015), 24, <https://www.gov.uk/government/publications/why-corruption-matters-understanding-causes-effects-and-how-to-address-them>.

³⁰³ Menocal et.al., “Why Corruption Matters,” 24.

³⁰⁴ *Ibid.*

The new view of oil being a potential curse looked at how states use the increased revenue. Weinthal and Luong illustrate that scholars identified two aspects of the Resource Curse: “economic consequences of sustained growth and the adverse impacts that reliance on external rents has on governance, state capacity, and democracy under the volatility of the commodity market.”³⁰⁵ Rent is defined as the “return over a resource owner’s opportunity costs,” which in the case of oil is from foreign sources.³⁰⁶ The oil market is a volatile market with several booms and busts. Boom and Bust cycles can have a severe effect on economic growth. The management of oil’s boom and bust cycles is a major contributor to the downfall of economies because oil busts cause catastrophic effects due to their economy’s over-dependence on oil. “Economic importance of petroleum makes this particular commodity both a valuable and an attractive political tool.”³⁰⁷ Petroleum income makes government budgets difficult to manage, due to the significant revenue fluctuations, so investing in meaningful public services becomes challenging, while also “discourages private investment.”³⁰⁸ Borrowing on oil futures becomes a large factor in increasing a country’s debt instead of reinvesting into economic diversification. The debt causes a serious issue during a bust cycle when the loan payments are due with no funds available to pay them.

1. Dutch Disease

“Dutch Disease” is a factor of the Resource Curse that affects rates of economic growth because of the volatility of the oil market. Dutch Disease is the result of the windfalls from oil revenue that leads to an “appreciation of the real exchange rate by shifting production inputs to the booming mineral sector and non-tradable sector, reducing the competitiveness of the non-booming export industries.”³⁰⁹ Dutch Disease makes it difficult for economies to sustain their “boom” levels during the bust cycles

³⁰⁵ Weinthal and Luong, “Combating the Resource Curse,” 37.

³⁰⁶ *Ibid.*, 48.

³⁰⁷ *Ibid.*, 37.

³⁰⁸ *Ibid.*

³⁰⁹ Weinthal and Luong, “Combating the Resource Curse,” 37; Hammond, “The Resource Curse and Oil Revenues in Angola and Venezuela,” 351.

because non-tradable sectors collapse due to neglect from the government. It also “accelerates domestic inflation, which is responsible for the rise in the real exchange rate.”³¹⁰ While the country is gaining more revenue and currency is strengthening, the effect on the non-tradable sector becomes weak and jobs are eliminated because of their inability to remain competitive in the global market. Oil industries are unable to produce the jobs to replace those lost in the non-tradable sector, which leads to problems in the public arena and a foundation for corruption to fester.

Dutch Disease has political consequences that can severely weaken a state’s institutions and increase corruption. Extreme political consequences of oil dependence, according to Weinthal and Luong, can result in “weakly institutionalized states and skewed state-societal relations.”³¹¹ Their argument centers on the notion that there is no incentive to create efficient bureaucracies because they focus decision-making on a “rigid and myopic (short-sided) model.”³¹² Politicians that obtain windfall rents can exaggerate corruption due to the government’s pressure that oil creates to maintain the maximum amount of revenue. A “feeding frenzy” can occur that distracts both individuals and governments from long-term development to gain the most from the windfall rents.³¹³ The revenue motivates governments to keep the money to create a richer elite rather than reinvestment into necessary economic sectors or invest into the rest of society.

2. Rentier State

An ailment of the Resource Curse deals with extreme overdependence on oil that transforms the state into a Rentier State. A Rentier State is defined as a state that is dependent on their natural resource that they sell to make a substantial profit and, thus, the states’ primary function becomes distributing rent. The distribution of rents tends to go to the most influential individuals within a government who are closest to the revenue, excluding everyone else. Dependence on oil means 50% or more of exports on the mineral.

³¹⁰ Weinthal and Luong, “Combating the Resource Curse,” 37.

³¹¹ Ibid., 38.

³¹² Ibid.

³¹³ Ibid., 37.

The theory incorporates elements such as “corruption, economic stagnation, and authoritarianism as features inherent to the Rentier political economy.”³¹⁴ The reason for these factors becoming inherent is because the Rentier state needs to seek control and maintain dependency on oil through the state’s authority while maximizing the most rent collection.

Despite the consequences of Rentier States on governance, there are positive effects. The argument of Rentier states and peace suggest that the oil revenues “provide ruling elites the ability to offset these indirect adverse effects on security.”³¹⁵ The idea being that the elite could distribute the rent selectively creating a “clientelist” network to ensure stability through accommodation of political rivals to avoid a conflict to occur from power factions as seen in Venezuela’s Punto Fijo political system.³¹⁶ The rise of corruption becomes a cost of maintaining stability and also sacrifices the ability of democratic transitions or viable redistributions of wealth to the poorest sectors of the population. Also, these Rentier states are unable to respond to economic busts since their “bureaucracies are too centralized and bloated to adjust, [and] sectorial interests have captured the policy-making process or some combination.”³¹⁷ As a result, the stability achieved is weak and could be disrupted by a downturn of oil prices, similar to the case of Venezuela during the 1970s severe oil busts.

B. VENEZUELA’S ECONOMIC MODEL: PAST AND PRESENT

Venezuela’s abundance of oil has led to a history of failed economic models used to attempt to temper the Resource Curse. Javier Corrales from Harvard University’s David Rockefeller Center compiled the former economic models to include

³¹⁴ Matthias Basedau and Jann Lay, “Resource Curse or Rentier Peace? The Ambiguous Effects of Oil Wealth and Oil Dependence on Violent Conflict,” *Journal of Peace Research* 46, no. 6 (2009): 758, <http://jpr.sagepub.com/content/46/6/757.short>.

³¹⁵ Ibid., 761.

³¹⁶ Ibid., 762; Menocal et al., “Why Corruption Matters,” 54.

³¹⁷ Weinthal and Luong, “Combating the Resource Curse,” 38.

1. Heterodox stabilization (1985–1998)
2. Shock therapy (1989–1992)
3. Gradualism (1996–1998)
4. Reforms by executive “special powers” (early 1980s, 1993–1994, 1998)
5. Changes by negotiations with opposition parties (1996–1998)
6. Stabilization through price controls (1994–1996)
7. Deep trade liberalization (1990–1993)
8. Concessions to economic losers from trade liberalization (1994–1998)
9. Direct subsidies to vulnerable sectors (1990–1992).³¹⁸

Corrales coined those economic policies of the 1980s and 90s as the “ax-relax-collapse” cycle of reform. The ax-relax-collapse cycle begins with an economic crisis, where the government then implements harsh cutbacks and adjustments (ax).³¹⁹ Once there is some relief the changes are lax or abandoned (relax), which results in another crisis (collapse).³²⁰ The societal context of Venezuela over income equality showed the damages of the ax-relax-collapse cycle. In 1998, according to the GINI index that measures income inequality (0 means equal and 100 unequal), Venezuela scored a 49.80.³²¹ The ax-relax-collapse policies and a high GINI coefficient led to a population disenfranchised with the political two-party system of Punto Fijo and the willingness of the public to take the risk on a former coup leader, Hugo Chávez Frías, as President.

³¹⁸Javier Corrales, “Venezuela in the 1980s, the 1990s and beyond,” *ReVista Harvard Review of Latin America*, no. Fall (1999), accessed March 11, 2016, <http://revista.drclas.harvard.edu/book/venezuela-1980s-1990s-and-beyond>.

³¹⁹ Javier Corrales and Michael Penfold-Becerra, *Dragon in the Tropics: Hugo Chavez and the Political Economy of Revolution in Venezuela* (Washington, DC: Brookings Institution Press, 2011).

³²⁰ Corrales, “Venezuela in the 1980s, the 1990s and beyond.”

³²¹ “World Bank World Development Indicators (GINI Index—Venezuela, RB,” accessed March 21, 2016), https://www.quandl.com/data/WWDI/VEN_SI_POV_GINI-GINI-index-Venezuela-RB.

C. CHÁVEZNOMICS

Hugo Chávez entered political office with a new economic model, Chávèznomics to overcome the consequences of the Resource Curse. In 1998, Hugo Chávez won the presidency with a landslide victory of 56% of the votes.³²² He initiated a populist political system that focused on socialist measures such as empowering the citizens to take ownership in their country and the redistribution of wealth. Chávez also introduced a populist economic policy, Chávèznomics. According to Kirk Hawkins, populist economic policies have two levels: “macro decisions about large fiscal allocations and the structure of economic governance and the micro decisions about the design of specific programs.”³²³ Populist economic policies can go to either right or left of the political spectrum under the guise of the “interaction of populist ideas with the broader socioeconomic context and the interest it generates.”³²⁴ In the case of Venezuela, Chávèznomics was left leaning because the primary driver was the redistribution of wealth and eradicating poverty. Hawkins identifies that “radical redistributive policies are the most likely corollaries of populist governments in Latin America.”³²⁵ Venezuela experienced times of economic crisis specifically with the 1980s oil busts and neoliberal reforms that disenfranchised the poor. Chávez attempted to alleviate the crisis with a strong approach toward redistribution. According to Francisco Rodríguez, Venezuela’s economic model is a “populist macroeconomics” model, which is “the use of expansionary fiscal and economic policies and an overvalued currency with the intention of accelerating growth and redistribution...[while also] controlling inflationary pressures through price and exchange controls.”³²⁶ Redistribution manifested in Chávèznomics in new social programs that focused on the poorest segments of society.

³²² Kirk A. Hawkins, *Venezuela’s Chavismo and Populism in Comparative Perspective* (New York: Cambridge University Press, 2010), 18.

³²³ *Ibid.*, 196–97.

³²⁴ *Ibid.*, 197–98.

³²⁵ *Ibid.*, 198.

³²⁶ Francisco Rodríguez, “An Empty Revolution,” *Foreign Affairs* 87, no. 2 March/April 2008 (January 28, 2009): 58, <https://www.foreignaffairs.com/articles/venezuela/2008-03-02/empty-revolution>.

The 1999 Constitution that Chávez's administration implemented, stipulated a more centralized socialist approach to economics. Institutions created were public health system, free public education, social security, and strict workers rights.³²⁷ Cháveznomics also included hard currency and price controls through subsidies on food and fuel.³²⁸ Currency exchange controls made dollars sold at three times the official rates with the lowest rate of 6.3 bolivars to the dollar for food and essential household items.³²⁹ The currency system allows importers to purchase dollars at an artificially low price but caps the price of goods the merchants would resell. According to Danielle Renwick and Brianna Lee, the subsidized currency exchange controls "created incentives to cheat," and as of December 2015, a thriving black market existed where the black market's exchange rate is nine hundred bolivars to the dollar.³³⁰ The informal institution fueled an economic crisis and normalized corrupt practices throughout the state.

State control of the economy was another factor in Cháveznomics that exacerbated the consequences of the Resource Curse. Even though nationalization of *Petróleos de Venezuela S.A.* (PDVSA) and natural gas occurred during Punto Fijo, Chávez strengthen control over the use of windfall rents to finance his social development proposals, based on the constitution stating: "oil belongs to the state...whomever governs the state also governs the fate of the countries lucrative oil reserves."³³¹ Chávez abandoned corporate independence and restructured PDVSA with Chavistas (Chávez loyalists).

Chávez's new decree powers also placed higher taxes on PDVSA profits and closer regulation of PDVSA business, which was also controlled by Chávez. According to Hawkins, Chávez publicly fired top managers of PDVSA, during one of Chávez's *Aló*

³²⁷ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 1999, 33–38, <http://venezuela-us.org/live/wp-content/uploads/2009/08/constitucioningles.pdf>.

³²⁸ Danielle Renwick and Brianna Lee, "Venezuela's Economic Fractures," Council on Foreign Relations, December 4, 2015, 4, <http://www.cfr.org/economics/venezuelas-economic-fractures/p32853>.

³²⁹ Ibid.

³³⁰ Ibid.

³³¹ Carlos A. Rossi, "Oil Wealth and the Resource Curse in Venezuela," *International Association for Energy Economics*, Third Quarter 2011, 14, <https://www.iaee.org/en/publications/newsletterdl.aspx?id=137>.

Presidente television programs in April 2002, because of claims of being “corrupt technocrats who were allies of the old party system.”³³² The broadcast led to strong opposition and demonstrations. A two-month strike began on December 2, 2002, which served a significant blow to production levels from 3.3 million barrels to 700,000 barrels.³³³ The government “rationed dollars and imposed price controls to compensate for the downward spiral of the economy.”³³⁴ After the strikes in 2003, Chávez made PDVSA more politicized by replacing executives with Chavistas to ensure loyalty and prevent a reoccurrence of a strike. Rodríguez comments that the move to replace PDVSA technocrats with Chavista loyalists, along with other poor policy choices had led to “the capacity of oil revenues to ease the government’s fiscal constraints, becoming more and more limited.”³³⁵ The strikes did not lead to Chávez’s demise as expected, but the strikes did expose cracks in Cháveznomics with the umbrella of high oil revenue slowly retracting because of a drop in oil production and other policies that affected PDVSA’s efficiency.

Other industries followed a similar fate as PDVSA and fell under the purview of the state. In 2007, Chávez nationalized the country’s largest telecommunications company, CANTV and the Caracas electricity company, EdC, paying out American owners Verizon and AES.³³⁶ Other government acquisitions involved electric utilities, banks, sugar mills, and agricultural supplies totaling \$22.8 billion, along with “setting up joint ventures with ‘friendly’ countries in businesses like bicycle factories and oil.”³³⁷ The results of Venezuela’s “re-nationalization” have shown adverse effects such as a decrease in productivity, which affected their performance in international markets.

³³² Hawkins, *Venezuela’s Chavismo and Populism in Comparative Perspective*, 21.

³³³ Looney, “Chavistanomics,” 11.

³³⁴ Hawkins, *Venezuela’s Chavismo and Populism in Comparative Perspective*, 21.

³³⁵ Rodríguez, “An Empty Revolution,” 60.

³³⁶ Fishlow, “The Curse of Oil-Stoked Populism,” 16.

³³⁷ Osmel Manzano and Jose Sebastian Scrofina, “Resource Revenue Management in Venezuela: A Consumption-Based Poverty Reduction Strategy” (New York: Natural Resource Governance Institute, 2012), 17, http://www.resourcegovernance.org/sites/default/files/Venezuela_Final.pdf.

Social Development was a major element of Cháveznomics that was meant to serve as the key factor to elevate the burden of the Resource Curse. Chávez's plans included a redistribution program and social development projects to get directly at the people, in-line with a 2004 government slogan, "Now Venezuela belongs to everyone."³³⁸ Chávez believed that the previous administrations lost sight of the people and set out to radically transform that position. As soon as he entered office, Chávez created Plan Bolívar 2000. The plan was organized into three parts, Pro-Country, Pro-Homeland, and Pro-Nation.³³⁹ Plan Bolívar 2000 worked on community beautification projects, improvements to schools, road building, healthcare for the poor, and distribution of basic foodstuffs in street markets.³⁴⁰ The Army was the administrators of the program. In Chávez's 1999 inaugural speech, he stated that the army's brilliant human capital was not to be wasted but used toward national development, and twenty-three days later, he began to execute Plan Bolívar.³⁴¹ The plan ended in 2001 with good press for the President despite rumors of corruption and misappropriation of resources from the military.³⁴² Chávez, however, claimed that Plan Bolívar 2000 did succeed in the mission to "transform civil-military relations in Venezuela."³⁴³

1. Venezuela Misiones

In 2003, Venezuela attempted another social development project to take advantage of the increases in oil revenue and remedy the failures of Plan Bolívar 2000. Christ Missions (*Misión Cristo*) was designed to eliminate poverty by 2021 from a six-year plan, *Líneas Generales del Plan de Desarrollo Económico y Social de la Nación*.³⁴⁴ Hawkins states that unlike other social development programs in the region, Chávez set

³³⁸ Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, 195.

³³⁹ Leopoldo E. Colmenares, "Criminal Networks in Venezuela: Their Impact on Hemispheric Security," *Military Review*, no. January-February (2016), 55, http://usacac.army.mil/CAC2/MilitaryReview/Archives/English/MilitaryReview_20160228_art012.pdf.

³⁴⁰ *Ibid.*, 55.

³⁴¹ *Ibid.*

³⁴² *Ibid.*, 56.

³⁴³ Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, 200.

³⁴⁴ *Ibid.*, 199.

out to create programs that stressed co-operatives, state coordination, and local know-how.³⁴⁵ The initial missions that stemmed from Misión Cristo included health and education with the Cuban Medical Mission and the Bolivarian Literacy Campaign.³⁴⁶ Cuban doctors came to establish modern clinics under an agreement with Cuba.³⁴⁷ A literacy mission was also created as a plan of Chávez to eradicate illiteracy; however, showed an average performance of 200,000 people educated in two years.³⁴⁸ As a result, in 2003, Cuban educators were brought in and the Cuban literacy program “Yo, Sí Puedo” (YSP) was implemented.³⁴⁹ Several more missions were created that expanded their initial scope with food distributions and job training.

Chávez’s Misiones were financed by oil and exposed the leftist intentions of Chávez, populist ideals, and corruption. The missions were under tight control of Chávez and his Chavistas while funding came primarily from revenue transfers from PDVSA, and with no legislative branch’s oversight.³⁵⁰ Analysis of the misiones is difficult due to the secretive manner in which the government kept information.³⁵¹ What is determined from these programs is that the programs served more as a political tool rather than a pro-poor initiative. For example, economist Joseph Stiglitz praises the efforts of the misiones, “Venezuelan President Hugo Chávez seems to have succeeded in bringing education and health services to the barrios of Caracas, which previously had seen little of the benefits of that country’s rich endowment of oil.”³⁵² From 1998 to 2012, poverty declined from about 50% to 30% and according to the UN’s Economic Commission for Latin America, poverty fell by 21% between 2002 and 2008.³⁵³ Yet there are others that claim that the misiones were a waste. Economic critics saw these programs as money being “frittered

³⁴⁵ Hawkins, *Venezuela’s Chavismo and Populism in Comparative Perspective*, 199.

³⁴⁶ *Ibid.*, 199.

³⁴⁷ *Ibid.*

³⁴⁸ *Ibid.*

³⁴⁹ *Ibid.*

³⁵⁰ *Ibid.*

³⁵¹ *Ibid.*, 210.

³⁵² Rodríguez, “An Empty Revolution,” 53.

³⁵³ Fishlow, “The Curse of Oil-Stoked Populism,” 17.

away on consumption that boosts Chávez's popularity, rather than being invested in social and economic infrastructure."³⁵⁴ Rodríguez also states "there is remarkably little data supporting the claim that the Chávez's administration has acted any differently from previous Venezuelan governments-or, for that matter, from those of other developing and Latin American nations-in redistributing the gains from economic growth to the poor."³⁵⁵ Despite these conflicting claims, the popularity of the misiones among the population who were direct recipients of the programs was strong enough to assist in Chávez's reelection in 2006.

Regardless of the debate on misiones' impact, the foundations of the social development programs worsened corruption. Analysis done by Kirk Hawkins over a sampling of misiones determined that their populist approach in discretionary spending through "clientelism" embodied the personalized relationship of deference and levels of partisan biases in program allocations.³⁵⁶ In other words, Chavistas were able to reap the most benefit from the programs making aid recipients disproportionately Chavistas. Chávez was able to survive the worst moments of financial crisis due to his aggressive redistribution campaigns that enjoyed the increased level of revenue from high oil prices. Francisco Rodríguez asserts that "the story of Chávez as a social revolutionary finally redressing the injustices created by centuries of oppression fits nicely into traditional stereotypes of the region, reinforcing the view that Latin American underdevelopment is due to the vices of its predatory governing classes."³⁵⁷ This claim allows weak policies to take the place of legitimate strategies and his image of the poor's savior remains in tact despite the growing disparity within the state. Corruption, as a result, was used to buy off respective supporters throughout the state to further Chávez's weak oil revenue management decisions.

³⁵⁴ Looney, "Chavistanomics," 8.

³⁵⁵ Rodríguez, "An Empty Revolution," 52.

³⁵⁶ Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, 229–30.

³⁵⁷ Rodríguez, "An Empty Revolution," 62.

2. International Alliances

Cháveznomics spread corruption through their international policies that share oil with other countries in exchange for alliances, like the Bolivarian Alliance for the Peoples of Our America (ALBA) and *Petrocaribe*. Discount oil became the lure to create the clientelist relationships at the detriment to Venezuela. In 2004, ALBA was a coalition created with Cuba's Fidel Castro and Chávez as a trade agreement that created an international security apparatus. Its mission is to "be an alliance of people to fulfill the dreams of Bolívar and Martí for a united and sovereign Latin America."³⁵⁸ Oil was used as bait to attract members with the slogan of "my enemy's enemies are my friends."³⁵⁹ The alliance was created as a reaction to the Washington Consensus and the attempted Free Trade Area of the Americas (FTAA) that the United States was actively pursuing in the region.³⁶⁰ Membership grew to include Cuba, Nicaragua, Bolivia, Ecuador, and several Caribbean states. ALBA appeared as a relationship of likeminded polities than a viable security or economic bloc. Other members from outside the region were Russia, Iran, and China to round out the list of alliances.

Petrocaribe was created as a complement to ALBA, which enriched the clientelist relationship throughout the region. Petrocaribe is a trade agreement that creates alliances with certain Latin American countries and establish an international clientelism network. The agreement is a Caribbean regional oil initiative created in 2005, where Venezuela offered discounted oil totaling 400,000 b/d to 17 oil-importing countries in Central America and the Caribbean.³⁶¹ The alliance stipulated that it would cover 40% of the regional energy needs and recipient countries would pay 40% of the oil invoice value within the first 90 days. The remainder of the oil amount would be financed at a 1% interest rate over 25 years.³⁶² There were some adjustments to the agreement, with

³⁵⁸ Andrea Oelsner, "Pluralist Security Communities in Latin America," in *Routledge Handbook of Latin American Security*, ed. David R. Mares and Arie M. Kacowicz (New York: Routledge, 2016), 177.

³⁵⁹ Fishlow, "The Curse of Oil-Stoked Populism," 15.

³⁶⁰ Oelsner, "Pluralist Security Communities in Latin America," 177.

³⁶¹ Julia Buxton, "Venezuela:Economy," Europa World Plus, (December 27, 2015), <http://www.europaworld.com/entry/ve.ec>.

³⁶² Ibid.

Venezuela providing 53,000 b/d (60%) of Cuba's energy needs in exchange for medical technology and services and the Dominican Republic trading foodstuffs for oil. According to an article from the Economist, "between 2011 and 2013...[Petrocaribe] cost Venezuela an average of \$2.3 billion each year in lost income."³⁶³ The article goes to state, "so far, the desire for influence in the Caribbean has outweighed economic pressures in Venezuela."³⁶⁴ Venezuela current economic crisis is the ramifications of Cháveznomics policies focus on securing alliances as a priority and results in the exportation of corrupt practices. Chávez maintain control on the use of oil revenue throughout this entire period and as a result did not factor in planning to manage the oil market busts. The growing alliances and trade blocs created a stronger dependence on oil then previous administrations.

D. WINDFALL MANAGEMENT

Mismanagement of oil revenues or windfall revenue is a major consequence of the Resource Curse that facilitates corruption through the abundance of revenue that is up for the taking within a state. According to Weinthal and Luong, different means to alleviate the Resource Curse can be windfall management through natural resource funds.³⁶⁵ Natural Resource Funds consist of stabilization, savings funds, or a combination of the two. Weinthal and Luong argue that stabilization funds "reduce overspending when prices are high and borrowing when prices fall."³⁶⁶ The process works when "commodity prices are high, excess revenue is placed in the stabilization fund, but when prices are low, revenue is transferred out to make up for budgetary shortfalls."³⁶⁷ Venezuela created programs to ensure market safeguards during the oil market's bust periods. Venezuela's windfall management mechanisms have been around since the 1970s, with Venezuelan Investment Fund (FIV) and Investment Fund for

³⁶³ "Single Point of Failure," *The Economist*, accessed June 29, 2016, <http://www.economist.com/news/americas/21621845-venezuelas-financing-programme-leaves-many-caribbean-countries-vulnerable-single-point>.

³⁶⁴ Ibid.

³⁶⁵ Weinthal and Luong, "Combating the Resource Curse," 40.

³⁶⁶ Ibid.

³⁶⁷ Ibid.

Macroeconomic Stabilization (FIEM) as mechanisms meant to diversify oil.³⁶⁸ In 2005, the Chávez administration modified the FIEM to be more discretionary until they abandoned it to create their own.³⁶⁹

An example of a windfall management mechanism in Venezuela was the National Development Fund (FONDEN). FONDEN was a windfall mechanism that was meant as “a financial instrument for leveraging economic growth and sustainable development.”³⁷⁰ The fund was to finance development projects in education and health, both in Venezuela and abroad with control centered on Chávez, who had discretionary use.³⁷¹ The source of revenue came from two institutions: revenue of paid PDVSA windfall taxes and Venezuela’s Central Bank.³⁷² By 2006, FONDEN had \$8.87 billion and FIEM held \$768 million with a government take of rent of \$200.68 billion; the combined savings in the funds was \$9.63 billion by the end of 2006.³⁷³ Osmel Manzano and Jose Sebastian Scrofina cited Ricardo Hausmann’s argument that the rent distribution model did not account for “sharing financial pain” and could not absorb the effects of rent decline.³⁷⁴ As a result, the funds appeared more as Chávez’s personal account to use in his attempts to enact Chávismo policies rather than an economic defense against the volatile oil market.

Mismanagement of windfall revenue occurred in Venezuela due to the decision-making on how revenue was spent and thus, became susceptible to corruption. Control on how to spend windfall revenue is centered on the president. Chávez tapped FONDEN to finance his 21st Century Bolivarian Socialism initiatives both domestically and internationally. According to Manzano and Scrofina, the government used the revenues through budget and off-budget expenditures.³⁷⁵ The government increased spending in

³⁶⁸ Manzano and Scrofina, “Resource Revenue Management in Venezuela,” 9–10.

³⁶⁹ *Ibid.*, 10.

³⁷⁰ *Ibid.*

³⁷¹ *Ibid.*

³⁷² *Ibid.*, 10–11.

³⁷³ *Ibid.*, 11.

³⁷⁴ *Ibid.*, 18.

³⁷⁵ *Ibid.*, 14.

the social sector from 34.77% to 45.64% from 1998 to 2009, while reduced spending in debt servicing, sub-national government transfers, and defense.³⁷⁶ Off-budget expenditures came from PDVSA payments, which funded three major programs outside the government budget: social programs, transfers to FONDEN, and direct payments to smaller funds like FONDESPA and the Agriculture Trust Fund.³⁷⁷ From 2005 to 2009, more than 90% of PDVSA contributions went to social programs and the FONDEN.³⁷⁸ The reason for the large use of “off-budget” expenditures was due to the “rigid budgetary process” that deals with forcing money to go to local governments and also becoming susceptible to unions and earmarks.³⁷⁹ Brian Ellsworth and Eyanir Chinae illustrates the secrecy of FONDEN has led to a mismanagement of over \$100 billion of Venezuela’s oil revenue. For example, in the construction of aluminum rolling mill in 2011 was “stalled for 18 months for lack of funding,” and dealt with growing “debts with construction contractors,” despite at least \$312 million already spent.³⁸⁰ The level of secrecy and misuse of FONDEN uncover corrupt practices of the mechanisms that are meant to provide relief in economic crises.

The lack of transparency continues to erode the legitimacy and efficiency of Cháveznomics, proving how the existence of management mechanisms alone is not sufficient to curb the effects of the Resource Curse. For example, in 2006, large withdrawals from FONDEN of \$3 billion for ordinary spending with no accountability on how it was spent, while \$12 billion out of \$22.5 billion were transferred by the government to accounts abroad were unaccounted for.³⁸¹ José Guerra, a former Venezuelan Central Bank officer, reported that the money was used to “buy political loyalties in the region in order to consolidate [Chávez’s] political projects and some has

³⁷⁶ Manzano and Scrofina, “Resource Revenue Management in Venezuela,” 13.

³⁷⁷ *Ibid.*, 14.

³⁷⁸ *Ibid.*

³⁷⁹ *Ibid.*, 16–17.

³⁸⁰ Brian Ellsworth and Eyanir Chinae, “Special Report: Chavez’s Oil-Fed Fund Obscures Venezuela Money Trail,” *Reuters*, September 26, 2012, <http://www.reuters.com/article/us-venezuela-chavez-fund-idUSBRE88P0N020120926>.

³⁸¹ Gustavo Coronel, “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela,” (Washington, DC: CATO Institute, November 27, 2006), 6.

been donated to Cuba and Bolivia, among other countries.”³⁸² Other changes included a legislative reform to a law that allowed the government to seize what was deemed “excess reserves,” which resulted in \$5 billion in 2005 for off-budget projects.³⁸³ Money, therefore, was able to move freely under the discretion of the president.

The lack of transparency in Cháveznomics was safeguarded through the president’s ultimate control of social development projects. Plan Bolívar 2000 and *Fondo Único Social* saw large sums of money that were unaccounted and mismanaged, estimating about \$150 million bolivars disappeared.³⁸⁴ Investigations of these cases amounted to a statement Chávez released that “Perhaps it is an administrative oversight that merits a fine; but there is no cause for undue concern,” while military officers in charge of the programs were not held accountable.³⁸⁵ The attempts of Chávez’s administration to adequately prepare for bust times have proven inefficient. According to Weinthal and Luong, National Resource Funds cannot be efficient when there is an absence of “stringent checks on and balances against executive authority” and as a result, the FONDEN susceptibility to government raiding, “the government when strapped for cash frequently altered the fund’s operating rules to expand presidential discretion.”³⁸⁶ An example of altering of rules occurred with a social program, Mothers of the Barrio. This program was to “give cash stipends to mothers in extreme poverty, despite the program being “contradicting [FONDEN’s] stated mission to make ‘productive investments’ that create jobs and spur development.”³⁸⁷ Ellsworth and Chinae illustrated that in 2009, the national comptroller’s office noted “presumed irregularities” with the program, including “payments to women who were not registered in the program and did

³⁸² Coronel, “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela,” 6.

³⁸³ Ibid.

³⁸⁴ Coronel, “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela,” 57; Colmenares, “Criminal Networks in Venezuela.”

³⁸⁵ Colmenares, “Criminal Networks in Venezuela,” 57.

³⁸⁶ Weinthal and Luong, “Combating the Resource Curse,” 40.

³⁸⁷ Ellsworth and Chinae, “Chávez’s Oil-Fed Fund.”

not meet the conditions for participation.”³⁸⁸ The fund then does not survive its purpose of protection in case of oil busts because it is being ransacked to finance Chávez’s plan.

E. VENEZUELA’S RESOURCE CURSE INDICATORS: RENTIER STATE AND DUTCH DISEASE

The Resource Curse’s indicators, Rentier State and Dutch Disease, showed how Cháveznomics aggravated the curse’s consequences, especially corruption and an unstable economy that was ill-equipped to withstand oil busts. One such ailment, Rentier state, has been intensified by Cháveznomics. Economist Edgardo Lander states that Venezuela is a Rentier state due to an “increased dependency on revenue from oil exports” while the “value of the non-oil exports and private sector exports has fallen in absolute terms.”³⁸⁹ From 1996, Venezuela’s oil dependency was about 77.3%.³⁹⁰ In 2005, it increased to 83.4% and by 2010, 84.2%.³⁹¹ Venezuela’s oil dependency has grown throughout Chávez’s administration with “oil’s share of total export value rose from 68.7% in 1998 to 96% by 2014,” making Venezuela’s economy entirely dependent on oil.³⁹² Oil accounts for 96% of export earnings, 45% of budget revenues, and 12% of GDP.³⁹³ Venezuela is subjected to the extreme volatility of the oil market. The barrel of oil plummeted down to below \$40 per barrel from \$110 in June 2014.³⁹⁴ Venezuela’s average annual GDP growth was about 5% from 2005 to 2012 and growth slowed to 1% in 2013 with projections, from the IMF, has the economy contracting to 10% in 2015 and inflation averaging 159%.³⁹⁵ The levels of record high oil prices and Chávez socialist initiatives are what made it lucrative for the state to grow so dependent on oil. Kurt Weyland articulates that high oil rents supported Chávez’s anti-neoliberal rhetoric over

³⁸⁸ Ellsworth and Chinae, “Chávez’s Oil-Fed Fund.”

³⁸⁹ Edgardo Lander, “Venezuela: Terminal Crisis of the Rentier Petro-State?,” *Transnational Institute*, October 2, 2014, 2, <https://www.tni.org/en/publication/venezuela-terminal-crisis-of-the-rentier-petro-state>.

³⁹⁰ Haglund, “Blessing or Curse.”

³⁹¹ Ibid.

³⁹² Lander, “Venezuela,” 2.

³⁹³ Huber, “The Resource Curse.”

³⁹⁴ Renwick and Lee, “Venezuela’s Economic Fractures.”

³⁹⁵ Ibid.

“constraints” and fueled the polarized affect toward the incumbent’s “socioeconomic and political order.”³⁹⁶ Maintaining a Rentier State allows for “cushion for established elites to avoid political risks by keeping the burden of taxation low and by buying off potential opposition with plentiful patronage.”³⁹⁷ Chávez used oil revenues to shield the government from having to accomplish more stringent economic reforms that removes the focus off of social development and reinvest in the non-oil sector industries to re-diversify exports.

A major tenant of a Rentier State model involves the control and distribution of rent through a cycle of centralized control at the president that is facilitated by clientelist relationships. Chávez gained considerable support from the poor of Venezuela that permitted the passing of more authoritarian-like policies since major control over use of oil rents rested with Chávez. Thus, the aggressive social development programs alleviated the poor’s situation and served as a means to buy votes, in a clientelist process. Support can be maintained through the use of oil rents to the poor. Carlos Rossi claims that what Chávez orchestrated was a reversal of who is rent seeking, with the “rich [being] who want access to what the poor (or some) have; the power over the oil wealth.”³⁹⁸ The power the president gained allowed Chávez to arrange a patronage system that is not traditionally elite-driven rather poor-driven to secure power through “vote buying” with social programs, thus feeding the cycle of power toward the president. Venezuela’s foreign policy created a strong dependence on oil to further its international ambitions and maintain Venezuela’s Rentier state.

Another Resource Curse aliment that Venezuela suffers from is Dutch Disease, which increased corruption through the black market’s exchange rates. Economist Alejandro Gristani labels Venezuela as “an extreme example of Dutch Disease,”³⁹⁹ and Renwick and Lee identified “stringent currency and price controls and a thriving black

³⁹⁶ Kurt Gerhard Weyland, “The Rise of Latin America’s Two Lefts: Insights from Rentier State Theory,” *Comparative Politics* 41, no. 2 (January 2009): 146, <http://www.jstor.org/stable/40599207>.

³⁹⁷ Ibid.

³⁹⁸ Rossi, “Oil Wealth and the Resource Curse in Venezuela,” 13.

³⁹⁹ Alejandro Grisanti, “Venezuelan Oil Production—Analysis of Venezuelan Oil Industry,” *Americas Quarterly*, Spring, 2011, <http://www.americasquarterly.org/node/2436>.

market for U.S. dollars have contributed to inflation, stagnant production, and frequent shortages, catalyzing widespread discontent.”⁴⁰⁰ Chávèznomics affected the economy’s ability to move away from its oil dependence. Lander states the dangers of the lowering of currency exchange rates because “imports account for such a large share of the economy that if the currency were to be devalued to a more reasonable level, it would inevitably cause an even greater surge in inflation.”⁴⁰¹ Dutch Disease has led to corruption within the state with the president of the Venezuelan Central Bank, Edméé Betancourt, illustrating corruption through subsidized foreign exchange. He claims foreign exchange capital enters into “shell companies” with “artificial demand, [which is] unrelated to productive activities.”⁴⁰² For example, *Ciudad Guayana*, once the beacon of hope in “breaking the country’s overwhelming dependence on crude oil exports,” was hit hard by Chávèznomics nationalization of the city’s steelmaking company in 2008.⁴⁰³ Nick Miroff states, “today most of [Sidor’s] furnaces sit cold, deprived of raw materials, new technology, and reliable labour.”⁴⁰⁴ Dutch Disease has laid the foundations for more informal economic structures that practice corrupt actions like black markets and contraband sales of commodities to make up for the lack of relief from the economic crisis and the mismanagement of windfall oil rents.

F. CONCLUSION

The Resource Curse is an ailment that removes a country’s ability to take a rich resource, like oil, and create a strong state. The curse’s ailments include Dutch Disease and Rentier State, which requires a strong dependence on oil revenue at the cost of other export markets. The oil dependence exposes the economy to extreme booms and busts (Dutch Disease) and fuels a clientelist network that maintains revenue to the elites (Rentier State). The results of the Resource Curse, according to Weinthal and Luong, is

⁴⁰⁰ Renwick and Lee, “Venezuela’s Economic Fractures.”

⁴⁰¹ Lender, “Venezuela,” 5.

⁴⁰² Ibid.

⁴⁰³ Nick Miroff, “Venezuela’s Showcase City Becomes Symbol of Economic Meltdown,” *Guardian*, September 9, 2014, <https://www.theguardian.com/world/2014/sep/09/venezuela-maduro-labour-dispute-ciudad-guayana>. sec. World news

⁴⁰⁴ Ibid.

an increase in corruption and weak governance, lower standards of living and conditions of the poor, and authoritarian regimes or limited democracy.⁴⁰⁵ Venezuela dealt with the effects of the Resource Curse throughout the 14 years of Hugo Chávez administration's policies. The socialist economic model, Cháveznomics, took the windfall revenue and redistributed funds to embolden the Rentier State structure that existed in incumbent economic models. The result of Chávez's policies created increased Resource Curse's effects, especially corruption, under an umbrella of high oil revenue. Weyland goes on to state "a torrent of revenues, captured by this plebiscitarian leader [Chávez] through the destruction of institutional safeguards, has allowed him to repudiate neoliberalism, try to trace an alternative development model, and turn ever more radical over time."⁴⁰⁶ Cháveznomics also created an unsustainable system for presidential successor Nicolás Maduro, who is experiencing the inherent weakness of the system among extremely low oil prices. The strong dependency that Chávez created on oil has been the lifeline for the country and with current oil prices below \$40/barrel, the ability of this new administration to practice the same Cháveznomics principles is proving impossible. According to Albert Fishlow, "to sustain social spending, Maduro needs an oil price of close to \$100 a barrel."⁴⁰⁷ The abundance of oil has served, as a curse for Venezuela than a blessing and Chávez's plans for a "Bolivarian Revolution" with Cháveznomics appears more as a nightmare for Venezuela today.

⁴⁰⁵ Erika Weinthal and Pauline Jones Luong, "Combating the Resource Curse: An Alternative Solution to Managing Mineral Wealth," in *Essential Readings in Comparative Politics*, 2013, 35, <https://www.google.com/search?q=essential+readings+in+comparative+politics&ie=utf-8&oe=utf-8>.

⁴⁰⁶ Weyland, "The Rise of Latin America's Two Lefts," 152.

⁴⁰⁷ Fishlow, "The Curse of Oil-Stoked Populism."

IV. VENEZUELA'S ANTI-CORRUPTION AS THE WAY FORWARD

This thesis examines the rise of corruption during Hugo Chávez's administration so as to consider anti-corruption solutions that may offer relief to the Venezuelan people. Venezuela's current situation of prevalent food shortages, predatory black markets, and 180.9% inflation is unsustainable.⁴⁰⁸ Venezuela's oil reserves prime the country with more than enough available resources for its citizens; however, corruption develops an inequality of resource distribution. Transparency International identifies Venezuela as the "ninth most corrupt country in the world...[with] member's of [President] Maduro's family and immediate entourage implicated in drug smuggling and hundreds of billions of dollars are believed to have been syphoned out of the economy."⁴⁰⁹ No longer a viable model, Chávismo politics cannot fix the current crisis; Venezuelan citizens are ready for change and relief from the plague of corruption that has all but consumed their country.

While Chapter II discussed how Chávez weakened governance through the creation of policies that centralized and maintained presidential control, breeding opaque transactions, and patronage policies, Chapter III looked at the Resource Curse theory to analyze how Cháveznomics created a dangerous over-dependence on oil yet gave the people little. During Chávez's presidency, corruption thrived, and now Venezuela needs a specialized anti-corruption strategy. Chapter IV, therefore, provides analysis over anti-corruption by examining the four primary anti-corruption schools of thought and specific societal factors of culture, political will, and international integration to establish a foundation for a possible anti-corruption strategy for Venezuela. Based on Venezuela's societal factors, state-center anti-corruption theory corresponds with Venezuela and provides the tools to combat the specific blend of corruption that exist after 17 years of Chávismo politics, in the hopes to provide relief to Venezuelan citizens.

⁴⁰⁸ Gillian B. White and Bourree Lam, "What's at Stake in Venezuela's Economic Crisis," *The Atlantic*, July 5, 2016, <http://www.theatlantic.com/business/archive/2016/07/venezuela-economic-crisis/490031/>.

⁴⁰⁹ Julian Borger, "Venezuela's Worsening Economic Crisis—the Guardian Briefing," *The Guardian*, June 22, 2016, <https://www.theguardian.com/world/2016/jun/22/venezuela-economic-crisis-guardian-briefing>, sec. World news.

A. FOUR ANTI-CORRUPTION SCHOOLS OF THOUGHT

What does anti-corruption mean and how can Venezuelan citizens help? Anti-corruption strategy, according to the U4 Anti-Corruption Resource Center, is meant to provide assistance by building transparent and accountable systems for those in power, while empowering civil society and the media to ensure an overall integrity and ethics and challenge the factors that facilitate corruption.⁴¹⁰ Analysts divide anti-corruption into four schools of thought or theoretical approaches: universalistic, state-center, society-centric, and critical. Table 1 provides a description of each principle. While all four are valuable, state-center provides the highest likelihood of incorporating both civil society and state institutions, a critical component for a Venezuelan anti-corruption plan.

Table 1. Summary of Anti-Corruption Program Foundations⁴¹¹

	Universalistic	State-Center	Society-Centric	Critical
who	Society	State	Civil society	Power institutions
what	Mechanistic programmes	Government reform	Social reproduction	Epistemic contestation
where	Stakeholder groups	State	Outside of the state	In discursive practices
why	Social rules dictate change	State “machine” is broken	People know what is best	Hegemony
how	Technocratic programmes	Public sector reform	Participation	Semiotic control
main areas	Integrity systems	Civil service reform, budget reform, administrative reform	Media, schools, NGOs, cultural institutions	International organizations and governments

State-center theory involves both state and civil society in preventing corruption. The theory formulates anti-corruption by evaluating corruption’s causes at the individual

⁴¹⁰ “The Basics of Anti-Corruption,” U4, accessed July 8, 2016, <http://www.u4.no/articles/the-basics-of-anti-corruption/>.

⁴¹¹ Adapted from Bryane Michael, “Explaining Organizational Change in International Development: The Role of Complexity in Anti-Corruption Work,” *Journal of International Development* 16, no. 8 (November 2004): 1067, doi:10.1002/jid.1126.

level, considering the human element as well as state characteristics.⁴¹² Decision-makers that use state-center can analyze corruption at an individual level rather than a three thousand level view of the problem. Focusing on corruption at the individual level also allows for analysis on the drivers or opportunities that exist for individuals to conduct corrupt operations. The ultimate intention of state-center theory focuses on “increasing accountability and transparency in public sector processes and services-ultimately with the aim of reducing political patronage,”⁴¹³ ideal for Venezuela. Accountability and transparency increases by observing the procedures and actors’ motivations to conduct corrupt practices. That specific focus in Venezuela allows an analysis of the factors established from the last 17 years of Chávismo patronage policies in order to discover the gaps in accountability and transparency mechanisms. A state-center anti-corruption strategy also allows decision-makers to remedy the failure of Chávismo anti-corruption policies.

In order to create a specialized anti-corruption strategy in Venezuela, this thesis considers two broad categories of corruption, Principal-agent and collective action. Principal-agent corruption compartmentalizes victims and offender while collective action lumps everyone together as culpable. Venezuela’s corruption exhibits a mix of both categories through its clear actors of corrupt practices and the systematic web of corrupt practices that subsist throughout the state.

B. PRINCIPAL-AGENT

Principal-Agent corruption theory distinguishes responsibilities between principal and agents, where corrupt agents create victims, or principals. The agents accomplish corrupt operations for their personal gain. Information asymmetry provides a means for agents to take advantage of principals. Information asymmetry refers to the abundance or enhanced knowledge that agents have over principals.⁴¹⁴ The knowledge of loopholes in

⁴¹² Bryane Michael, “Explaining Organizational Change in International Development: The Role of Complexity in Anti-Corruption Work,” *Journal of International Development* 16, no. 8 (November 2004): 1070, doi:10.1002/jid.1126.

⁴¹³ Ibid.

⁴¹⁴ Menocal et al., “Why Corruption Matters,” 15.

laws, for example, could result in personal gains for agents and allows them to conduct corrupt operations un-be-announce to the principal. Without access to that information, the principals face a difficult challenge in demanding accountability from the agent.

Anti-corruption mechanisms to combat principal-agent corruption remove the advantage of the agents to conduct corrupt practices. In Venezuela, principal-agent corruption appears in social development projects, such as where military officers engage in “false invoicing and the signing of contracts with nonexistent suppliers.”⁴¹⁵ Chávez reformed the military to have a social development mission that reports directly to the president.⁴¹⁶ The president’s direct control removed the National Assembly’s power to accomplish oversight and accountability,⁴¹⁷ which gave the armed forces a safe haven to accomplish corrupt practices uncontested. In this case, the military, as the agents, gain the ability to operate in secret, diverting resources from the missions, while the citizens, as the principals, lose millions in needed relief. By restoring military oversight to an external institution, Venezuela can reduce principal-agent corruption.

C. COLLECTIVE ACTION

Also viewed as systemic corruption, collective-action identifies everyone as both victims and offenders, which complicates anti-corruption methods considerably. According to Alina Rocha Menocal et al., “all stakeholders [are] self-maximisers, and the way they behave to maximize their interests is highly dependent on shared expectations about the behavior of others.”⁴¹⁸ A major factor in collective-action corruption involves the magnitude of the corruption, where the more interwoven it becomes within a society, the more citizens view it as a part of their state and do little to apply pressure to reduce the practices. Thus, systemic corruption survives in a state because the people choose not to curb it. Anna Persson et.al, claims that corruption, in collective-action situations, subsists in the state and that citizens’ skepticism in the system to curb it results in no

⁴¹⁵ Gustavo Coronel, “Corruption, Mismanagement, and Abuse of Power in Hugo Chávez’s Venezuela,” (Washington, DC: CATO Institute, November 27, 2006), 11.

⁴¹⁶ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 214.

⁴¹⁷ Ibid.

⁴¹⁸ Menocal et al., “Why Corruption Matters,” 16.

reason to refrain from participating in corrupt operations.⁴¹⁹ Systematic corruption overwhelms state institutions, while short-term gains provoke citizens to prolong corrupt practices.

The way collective-action corruption subsists in Venezuela involves the lack of accountability and oversight. Venezuela's institutions, like the communal councils, for example, allow individuals to conduct corrupt practices with no oversight or accountability mechanisms in place. The communal councils demonstrate principal-agent corruption with communal members as agents and the citizens as the principals. For example, an auto mechanic, Juan Freire, reported that money that the communal councils received was diverted for non-community projects (i.e., personal expenses and homes for family members).⁴²⁰ Communal councils also show systematic corruption, where the communities have no incentive to stopping corrupt practices because of the benefits received. For example, Jesus Diaz, a council member, was ousted due to his inefficient efforts to accomplish home construction projects in Saman Mocho.⁴²¹ Diaz claimed that the delays resulted from the contractor asking to transfer funds into his personal account, an illegal practice that Diaz refused to do.⁴²² Also, Diaz argued that the construction company was inefficient, with houses left incomplete that resulted in citizens finishing the job.⁴²³ During the investigation into those claims, the council received additional funding for more houses, to include Diaz's daughter's house.⁴²⁴ Diaz reversed his stance against the project claiming that, "It is a demonstration that the people can build

⁴¹⁹ Anna Persson, Bo Rothstein, and Jan Teorell, "Why Anticorruption Reforms Fail-Systemic Corruption as A Collective Action Problem," *Governance: An International Journal of Policy, Administration, and Institutions* 26, no. 3 (July 2003): 457.

⁴²⁰ Brian Ellsworth, "Special Report: Billions Unaccounted for in Venezuela's Communal Giveaway Program," Reuters, May 6, 2014, <http://www.reuters.com/article/us-venezuela-communes-special-report-idUSBREA450CA20140506>, sec. Special Reports.

⁴²¹ Ibid.

⁴²² Ibid.

⁴²³ Ibid.

⁴²⁴ Ellsworth, "Special Report: Billions Unaccounted for in Venezuela's Communal Giveaway Program."

homes.”⁴²⁵ The corrupt practice of the council became nuance once the key objectors were appeased, as was the case with Diaz’s daughter receiving her new home and his retraction. The act of bystanders knowing that corruption occur and not apply pressure on decision-makers to remedy the issue results in collective-action corruption.

Communal councils also have strong patrimonial ties with the government, and, as a result, a major controversy with them involves their lack of oversight. Council spending operates in secret and with no accountability. Secrecy of the councils’ operations occurs through what Catia la Mar reports as the lack of “official accounting of how community-support funds are spent,” with the Autonomous National Fund for Community Councils (SAFONACC), who has responsibility for the councils, having “no centralized system to track outlays or follow-up on projects.”⁴²⁶ The blending of the two types of corruption makes it difficult to incorporate a one-size-fits-all solution that thrives on a clear perpetrator and victim dichotomy. State center anti-corruption solutions, as a result, can provide an individual level analysis to mitigate the state’s dual corruption type situation.

Due to the complexity of Venezuela’s unique corruption situation, anti-corruption strategy can be three-pronged, based on three societal sources of support: cultural context, political will, and international integration. The three societal categories uncover the effects of corruption within the state and the reasons for corruption’s sustainability. Also, the three categories provide the means for policy makers to shape anti-corruption mechanisms in order to incorporate the Venezuelan citizen. Venezuelans can gain a position in their state to hold those that have power and influence accountable.

D. CULTURAL CONTEXT

Cultural corruption analysis allows scholars to gain insight on the effects of corruption within a state: how do members of the society view corrupt practices? Does the corrupt person’s relativity to the citizen affect their perception of corruption? Cultural

⁴²⁵ Ellsworth, “Special Report: Billions Unaccounted for in Venezuela’s Communal Giveaway Program.”

⁴²⁶ Ibid.

context explains how corruption can survive within a society or affect their personal evaluation of what corruption means. Scholars studying culture can analyze the effects of corruption at the individual level, a key element of state-center strategies.

Corruption and culture analysis uses Geert Hofstede's 1980s work with national cultural dimensions as their bedrock. Culture dimensions allow for a focus on specific cultural factors that correspond better with anti-corruption methods' effectiveness at reducing corruption. Hofstede established four dimensions of national culture: power distance, individualism-collectivism, uncertainty avoidance, and masculinity-femininity.⁴²⁷ A fifth dimension, long-short-term orientation, was added in 1991 based on Michael Bond's Confucian Work Dynamism dimension;⁴²⁸ however, corruption and culture scholars omit the fifth dimension due to its incompatibility with corruption.⁴²⁹ For this thesis, the focus will follow suit with the four dimensions. Based on Hofstede's four cultural dimensions, Venezuela has a high-power distance, collectivist, high-uncertainty avoidance, and masculinity profile.⁴³⁰ The four cultural dimensions provide an explanation on why corruption manifests and remains within Venezuelan society.

Power distance describes the inequality between citizens' and leaders' behaviors. Hofstede defines power distance as the expectation of subordinates understanding and consent that power is not equal.⁴³¹ In terms of corruption, the knowledge and acceptance of inequality becomes exploited by leadership for their own personal gain through tools like paternalism. Husted claims that countries with high power distance use paternalism to create citizen dependence onto leaders.⁴³² The dependence relationship from citizen to leader maintains a level of culpability that prevents citizens from voicing opposition. The

⁴²⁷ Bryan W. Husted, "Culture and International Anti-Corruption Agreements in Latin America," *Journal of Business Ethics* 37, no. 4 (2002): 415, <http://www.jstor.org/stable/25074767>.

⁴²⁸ Michael Minkov and Geert Hofstede, "Hofstede's Fifth Dimension: New Evidence From the World Values Survey," *Journal of Cross-Cultural Psychology* 43, no. 1 (January 1, 2012): 4, doi:10.1177/0022022110388567.

⁴²⁹ Husted, "Culture and International Anti-Corruption Agreements in Latin America," 415.

⁴³⁰ *Venezuela*, Geert-Hofstede.com, accessed July 18, 2016, <https://geert-hofstede.com/venezuela.html>.

⁴³¹ Bryan W. Husted, "Wealth, Culture, and Corruption," *Journal of International Business Studies* 30, no. 2 (1999): 343, <http://www.jstor.org/stable/155316>.

⁴³² Ibid.

relationships act as a means to bribe citizens into accepting corrupt practices. Venezuela's social programs created a paternalist relationship where the poor depends on the state in order to elevate their status.⁴³³ This form of corruption in high power distance cultures evolves into "favoritism and nepotism."⁴³⁴ Subordinates in high power distance relationships accept that their leaders engage in corrupt activities as a part of doing business and can eventually seek their own benefits from not disturbing the status quo. Anti-corruption methods in high power distance cultures would need to establish a culture of anti-corruption where leaders engage in curbing corruption while simultaneously empower citizens to hold their leaders accountable, with protections such as whistleblower laws and non-retribution securities.

Individualism-collectivism aspect analyzes decision-making influences. Hofstede defined the concept as decisions' influence deriving from either the individual or the members of their own inner circle.⁴³⁵ Husted identifies collectivism as the in-group's influence on tolerating corruption within the concept of "amoral familism."⁴³⁶ Amoral familism, according to Edward Banfield, is present in "a culture that is deficient in communitarian values but fosters familial ties."⁴³⁷ Thus, corruption enters a society because the lack of "communitarian values" allows individuals to commit and tolerate corrupt practices to better themselves and family members. Communitarian values influence individuals to keep the rule of law in order to maintain stability; however, when familial values replace communitarian values, then the motivation to maintain rules of law that counter family values does not happen. In Venezuela, a collectivist society, in-group familial influences matter. Raúl González Fabre describes familism in Venezuela as the driving force toward loyalty in "primary relationships" with feelings of shame

⁴³³ Husted, "Wealth, Culture, and Corruption," 343.

⁴³⁴ Ibid.

⁴³⁵ Ibid., 344.

⁴³⁶ Husted, "Wealth, Culture, and Corruption," 119; Seymour Martin Lipset and Gabriel Salman Lenz, "Corruption, Culture, and Markets," in *Culture Matters: How Values Shape Human Progress*, ed. Lawrence E. Harrison and Samuel P. Huntington, (New York: Basic Books, 2000), 112.

⁴³⁷ Lipset and Lenz, "Corruption, Culture, and Markets," 119.

from in-group members the most damaging to Venezuelans.⁴³⁸ As a result, collectivist societies experience uneven applications of law between the in-group and out-group, which undermines confidence in the objective application of rule of law.

Masculinity-Femininity refers to sources of success in life, which shapes the types of punishment or retributions created in anti-corruption strategies. For masculinity societies, the source of success center on material possessions, while in femininity societies, source of success stems from quality of life gains. Venezuela, as a high masculine society, values actions that involve “highly success [angled], driven, competitive, and status-oriented”⁴³⁹ characteristics. The masculinity dimension identifies society’s priority of achieving success in their personal lives with adjustments based on other dimensions, like collectivism. Venezuela, as a masculine, collectivistic society, results in competition “directed towards members of the out-groups, not towards those who are perceived as members of your own in-group.”⁴⁴⁰ This offers evidence as to why, in Venezuela’s collectivist masculine society, the “us versus them” rhetoric in Chávez’s speeches resonates well with Venezuelans, because they already view themselves in those categories. Anti-corruption techniques can consider elements of financial sanctions and in-group perceptions in order to evaluate the effectiveness of anti-corruption mechanisms within Venezuelan society.

Uncertainty Avoidance is a cultural factor that describes a society’s anxiety of the unknown that anti-corruption can consider in order to soothe those apprehensions. Hofstede defines uncertainty avoidance as a society’s fear of the unknown.⁴⁴¹ Husted claims that corruption, in relation to uncertainty avoidance, acts as a tool to assure certainty.⁴⁴² Perception of corruption under the lens of uncertainty avoidance makes a difference simply because a citizen views corruption as a trade-off to anxiety of the unknown. High uncertainty avoidance societies typically create strict laws to attempt to

⁴³⁸ Raúl González Fabre, “Las Estructuras Cultures de la Corrupción en Venezuela,” in *Eficiencia, Corrupción y Crecimiento con Equidad*, ed. M. Zañartu (Bilbao: Universidad de Deusto, 1996), 10.

⁴³⁹ *Venezuela*, Geert Hofstede.

⁴⁴⁰ *Ibid.*

⁴⁴¹ Husted, “Wealth, Culture, and Corruption,” 345.

⁴⁴² *Ibid.*

curb the uncertainty, but those laws are typically ignored because it depends on how the “in-group feels the rules are applicable to their members and in the decision of power holders who make their own rules.”⁴⁴³ Risk avoidance and the level of impunity are typical tools of high uncertainty avoidance states as well as their citizens’ willingness to engage in corrupt practices. Uncertainty raises anxiety among its citizens, and allows corruption to act as a means to lower the anxiety regardless of any moral objection. Venezuelans risk assessment of the situation tends to side more toward the acceptance of corrupt practices in order to secure social development assistance.

E. POLITICAL WILL

Political will in anti-corruption determines the level of real initiative to curb corruption among the political elites. Political will means the desire from the players of a political system (i.e., ruling elites) toward a particular action or priority. The ability to gain support among the political elite ensures legitimate anti-corruption reforms. Menocal et al., notes that political will is crucial, specifically with Civil Society organization’s (CSO) anti-corruption methods, which rely on the support of the political actors to provide strength behind their anti-corruption plans as well as allow the CSOs freedom to build relationships between the state and citizens.⁴⁴⁴ Political support fuels anti-corruption mechanisms to strengthen its ability to operate within the most corrupt countries.⁴⁴⁵ Political will shapes anti-corruption strategies to ensure their legitimate support and resources.

Building political will within anti-corruption strategies can face challenges within polarized societies, as in the case of Venezuela. During the height of Hugo Chávez’s presidency, his strong rhetoric created divisions within society and formed Chavistas, a subset of society that included the majority of the poor, military, and others who support the government. After the 2002 failed coup attempt and strikes, societal division made

⁴⁴³ *Venezuela*, Geert Hofstede.

⁴⁴⁴ Menocal et al., “Why Corruption Matters,” 73.

⁴⁴⁵ Derick W. Brinkerhoff, “Assessing Political Will for Anti-Corruption Efforts: An Analytic Framework,” *Public Administration & Development* 20, no. 3 (August 2000): 240, <http://libproxy.nps.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=16885089&site=ehost-live&scope=site>.

political will difficult to influence. Chavistas were receiving rewards for their loyalty, through lucrative positions.⁴⁴⁶ The Chavista patronage networks created a motivation for a large portion of society to sustain the corrupt practices rather than push political elites to curb it.⁴⁴⁷ Protests and civil unrest in 2014 had Chavistas mobilized to counter opposition forces⁴⁴⁸ fracturing political will further into two distinct camps, Pro-Government and Anti-Government. The opposition's (anti-government) success in the December 6, 2015 legislative elections resulted in the opposition party gaining seats in the *Asamblea Nacional*.⁴⁴⁹ A renewed attempt to build political will toward curbing corruption gained momentum.

While the current situation in Venezuela is signaling toward building political will among the elites, Chávismo anti-corruption policies show the weak foundation of political will implementation to date. According to Brinkerhoff, "political will is a dynamic phenomenon, subject to shifts and modulations over time in the face of changing circumstances and events."⁴⁵⁰ With that premise, citizen's perception of corruption as a non-issue within shallow anti-corruption initiatives identifies a lack of political will. The political will shift, that Brinkerhoff refers to, manifests within the growing dissatisfaction toward Maduro's administration and the new strength of the opposition. In order to understand how to seize this momentum to build political will requires an analysis of Venezuela's political will toward anti-corruption. This thesis uses Brinkerhoff's analysis of political will that breaks it down into five characteristics: locus of initiative, degree of analytical rigor, mobilization of constituencies of stakeholders, application of credible sanctions, and continuity of effort,⁴⁵¹ so as to gain a better perspective of Venezuela's political will.

⁴⁴⁶ Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, 21.

⁴⁴⁷ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*.

⁴⁴⁸ "Behind the Protests in Caracas: Venezuela Rising," You Tube Video, 25:07, From episode of Vice News, Posted by "Vice News," July 8, 2014, <https://www.youtube.com/watch?v=PwQcVx9-bpw>.

⁴⁴⁹ Harold Trinkunas, "Three Things to Know about the Venezuelan Election Results," (Washington DC: The Brookings Institution, December 8, 2015), <http://www.brookings.edu/blogs/order-from-chaos/posts/2015/12/08-three-things-about-venezuela-election-results-trinkunas>.

⁴⁵⁰ Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 243.

⁴⁵¹ *Ibid.*, 242.

Locus of initiative refers to the desire to deal with corruption. Brinkerhoff claims that this characteristic highlights where the desire comes from: the state or the outside, like international actors. Brinkerhoff explains how states that show their own initiative to create anti-corruption strategies show higher levels of political will versus states that have anti-corruption strategies imposed or initiated by external actors, which involves creating buy-in of the state.⁴⁵² External actors' motives are constantly in question for sincerity and as a result require proof of legitimacy. Venezuela's strong anti-liberal, anti-U.S. rhetoric during the past 17 years causes citizens to question the ulterior motives of outside anti-corruption policies. Coupled with Venezuela's in-group collectivist nature, any policies from the "out-group" are received with skepticism. Drivers of anti-corruption methods must determine the level of commitment either inherent or missing within the political system and adjust accordingly. Based on those societal attributes, Venezuelan citizens as part of anti-corruption solutions provide an acceptance of proposed anti-corruption strategies.

Degree of analytical rigor describes the amount of effort behind dealing with corruption. High levels of analytical rigor manifest in the commitment of actors to find appropriate anti-corruption mechanisms that tackle the actual problems affecting the state. The opposite, low degrees of analytical rigor, has anti-corruption mechanisms that break into the surface level effects of corruption.⁴⁵³ In Venezuela, a low degree of analytical rigor is apparent in previous anti-corruption initiatives. For example, Leslie Gates points specifically to political interference in anti-corruption methods as a main factor in their inefficiency to investigate and curb corruption among the higher tiers of government.⁴⁵⁴ The President's micromanaging of anti-corruption makes the policies a façade of the state's commitment to curbing corruption and lack true transparency.

Mobilization of support involves how anti-corruption mechanisms incorporate the public. Anti-corruption mechanism obtains verification of mobilization of support by

⁴⁵² Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 242.

⁴⁵³ Ibid.

⁴⁵⁴ Leslie Gates, "The Politics of Corruption in Venezuela," 11–12, accessed January 19, 2016, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.551.6879&rep=rep1&type=pdf>.

asking: does the anti-corruption mechanisms involve the entire state and considers everyone's part in the process?⁴⁵⁵ Also, are progress reports on effectiveness publicized?⁴⁵⁶ Levels of political will come through in the ability of anti-corruption mechanisms incorporation of civil society to hold their leaders accountable. The more civil society becomes excluded in the anti-corruption process, the less likely pressure will exist among political elites to ensure anti-corruption benchmarks are being met. Venezuela's secretive approach to providing transparency shows the current lack of political will to include civil society into effective anti-corruption strategies. A substantial marketing campaign as well as reporting mechanisms can serve as examples to include all major stakeholders. The Venezuelan population desire for anti-corruption relief still needs their inclusion within the anti-corruption process.

Application of credible sanctions analyzes the incentives and punishments in anti-corruption reform plans. Brinkerhoff illustrates credible sanctions as "restructured principal-agent relationships, provide positive incentives for compliance institutions, along with rehabilitation efforts."⁴⁵⁷ Anti-corruption mechanisms require components that ensure corruption is condemned and mitigated. Political will with this factor involves the motivation of political elites to allow for the creation of credible sanctions that ensure the equitable enforcement of anti-corruption. Thus, Venezuela's inability to enact credible sanctions comes in large part from the president's strong influence in institutions. Gates describes that "the Chávez government...[comptroller] office has been held by individuals who have maintained a much lower profile politically and has been less willing to bring to light irregularities in the [Chávez] government," as well as the attorney general losing political independence, creating an inability to bring forward corruption cases toward Chavistas.⁴⁵⁸ The lack of confidence to deliver punishment creates an unsafe environment for citizens to disclose corrupt actions. Political will weakens if laws to punish offenders do not get upheld. Also, political will involves the

⁴⁵⁵ Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 243.

⁴⁵⁶ Ibid..

⁴⁵⁷ Ibid.

⁴⁵⁸ Gates, "The Politics of Corruption in Venezuela," 13.

citizens' incentive to promote a culture of transparency and accountability and the assurance that the justice system will protect them.

The final characteristic, continuity of effort, identifies the available resources and effort committed in the long-term, to anti-corruption mechanisms. Resources means both the fiscal and human capital invested into programs. Political will is determined through this characteristic by what planning has been placed in the allocation and continuity of resources within the anti-corruption system.⁴⁵⁹ Anti-corruption policies become insufficient without the analytical tools to measure effectiveness and a plan to ensure the correct resources are allocated and sustainable. The more investment from the state into those mechanism shows strong political will in meaningful anti-corruption efforts.

The environmental factors of a state influence political will and shapes anti-corruption methods. Brinkerhoff identifies six environmental factors that could affect political will: regime type; social, political, and economic stability; extent and nature of corruption; vested interests; civil society and the private sector; and donor-government relations.⁴⁶⁰ These environmental factors can threaten decision-makers ability to obtain political will. Environment factors give the context for the level of political will in a society. Thus, Brinkerhoff's model incorporates "the characteristics of political will and environmental factors to assess the presence or absence of political will, evaluate political will's sincerity, and the longevity of political will."⁴⁶¹ The environmental factors affect the amount of political will elites possess because they act as drivers that can influence decision-making.

Venezuela's environmental factors show how Chávismo's politics shaped the political will among decision-makers to force substantial reforms in curbing corruption. For example, Chávismo's state capture oil policy involved a four-point goal: "move oil policy to the Energy Ministry, improve governments' income from oil revenue towards taxing royalties, strengthen OPEC and respect their quotas, and curtail new private

⁴⁵⁹ Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 243.

⁴⁶⁰ Ibid., 244–48.

⁴⁶¹ Ibid., 249.

investment.”⁴⁶² The reforms that Chávismo policies created in order to meet those goals involved a restructure of PDVSA and Citgo leadership. This reform, in particular, ultimately led to incorporating unqualified Chavistas into those leadership positions to ensure loyalty, resulting in the politicization of the state’s most lucrative enterprise.⁴⁶³ Gates concludes that this action by the Venezuelan government, “contributed to the public’s greater passivity regarding corruption as a political issue.”⁴⁶⁴ The reason for the citizens’ passivity was because the power projection of the President removed potential challengers of the government from positions of influence. Thus, Chávismo policies weaken political will in Venezuela because it created an environment where loyalty trounces merit, making it difficult to demand anti-corruption policies if job security becomes challenged. The goal with state center anti-corruption mechanisms in Venezuela ultimately comprises in increasing political will within all sectors of Venezuelan society.

F. INTERNATIONAL INTEGRATION

The final societal factor, international integration, refers to the inclusion of external players within an anti-corruption mechanism that shapes global norms about corruption. Corruption’s impact extends beyond the borders of a nation. International actors, in both economic and political systems, can mold anti-corruption mechanisms. Scholars began to identify that corruption could have the potential to damage economic institutions and “redirect and subvert policy reforms.”⁴⁶⁵ The interest of the international community toward curbing corruption grew exponentially with the realization of the global impacts on corruption. International organizations (IOs) shifted toward endorsing transparency in political systems as well as create anti-corruption campaigns as stipulations in receiving aid.⁴⁶⁶ The link between global economic strength and strong governance behooved the international community to make corruption an international issue.

⁴⁶² Gates, “The Politics of Corruption in Venezuela,” 15.

⁴⁶³ Ibid., 16.

⁴⁶⁴ Gates, “The Politics of Corruption in Venezuela,” 12.

⁴⁶⁵ Ed Brown and Jonathan Cloke, “Neoliberal Reform, Governance and Corruption in the South: Assessing the International Anti-Corruption Crusade,” *Antipode*, 2004, 273, doi:10.1111/j.1467-8330.2004.00406.x.

⁴⁶⁶ Brown and Cloke, “Neoliberal Reform, Governance, and Corruption in the South,” 273.

The neoliberal reforms of the International Monetary Fund (IMF), otherwise known as the Washington Consensus, promote anti-corruption policies as conditions for their assistance. According to the IMF factsheet, “the IMF places great emphasis on promoting good governance when providing: policy advice, financial support, and technical assistance to its member countries ... [and] works with its member countries to... combat corruption.”⁴⁶⁷ Several countries rejected the Washington Consensus, including Chávez’s Venezuela, because of its debilitating short-term effects from required austerity measures. The strong rhetoric of Chávez created an anti-liberal, anti-U.S. position, making support from agencies, like the World Bank and IMF, difficult. Rather, Chávismo’s aims were to spread the Bolivarian Revolution’s priorities throughout the region in their security and oil alliances (ALBA and Petrocaribe) resulting in an outsourcing of patronage networks rather than accept assistance from international organizations.

Anti-corruption became a regional issue in Latin America with Venezuela playing its part in international conventions. Before Chávez, in terms of international anti-corruption programs, Venezuela participated in OAS and OECD conventions. Venezuela also hosted the Inter-American Convention against Corruption (IACC) on March 29, 1996 in Caracas.⁴⁶⁸ Once Chávez entered office in 1998, participation in these programs changed. According to Leslie Gates, in 2006, “Venezuela’s Comptroller denied the Organization of American States permission to publish a report by Transparencia Venezuela that was critical of the government in its follow-up report to the IACC.”⁴⁶⁹ Chávez described these international commissions as tools of the imperial U.S. and counter to the Bolivarian Revolution. The argument for international integration remains that countries become ultimately exposed to international norms and anti-corruption practices and provides motivation against participating in corrupt practices.

⁴⁶⁷ “Factsheet—The IMF and Good Governance,” IMF, accessed August 2, 2016, <http://www.imf.org/external/np/exr/facts/gov.htm>.

⁴⁶⁸ Gates, “The Politics of Corruption in Venezuela,” 13.

⁴⁶⁹ Ibid.

International integration hinges on the goal to promote transparency and accountability to countries based on promoting an international norm of anti-corruption. According to Sandholtz and Gray, transnational activities are evidence of the existence of international norms.⁴⁷⁰ Groups like Transparency International, The World Bank, IMF, United Nations' General Assembly, as well as regional international organizations (IOs) like OAS and OECD, attempt to join forces to handle corruption through that principal of international norms. According to Sandholtz and Gray, the International Anti Corruption Conference (IACC) combined the efforts of multiple IOs to create a more cohesive system.⁴⁷¹ Venezuela joined that convention, as mention previously, with the costs of corruption beginning to tip the scale within the society and internationally. Unfortunately, Chávez's strong rhetoric outweighed the potential benefits from IOs and other NGO groups that could provide relief to Venezuela's current crisis.

G. CONCLUSION

Anti-corruption strategy analyzes corrupt actions influence among a state and develops mechanisms to provide relief. Anti-corruption has four theoretical categories, universalistic, state-center, society-centric, and critical school. The players in anti-corruption strategies dictate the differences among the schools of thought and provide decision-makers with a method to incorporate the most appropriate means, as well as analyze corruption that exists within the state. Corruption divided into two broad categories, principal-agent and collective-action (or systematic), delineates corrupt practices that has distinct actors (principal-agent) and the culpability of all members of society within corruption (collective action).

Anti-corruption also requires analysis of societal factors that influence corruption as well as anti-corruption mechanisms. This chapter specifically focused on culture, political will, and international integration in order to shape the societal makeup of Venezuela and how those factors affect corruption and anti-corruption mechanisms. Due

⁴⁷⁰ Wayne Sandholtz and Mark M. Gray, "International Integration and National Corruption," *International Organization* 57, no. 4 (September 2003): 761, doi:10.1017/S0020818303574045.

⁴⁷¹ Sandholtz and Gray, "International Integration and National Corruption."

to Venezuela's current political and economic crisis, corruption became too costly to ignore, and the current societal division between the Chavistas and the opposition gridlock attempts to political solutions. A possible solution for Venezuela could be the use of state center anti-corruption mechanisms that tackles Venezuela's societal factors. Corruption has both systematic and principal-agent elements that allow a state-center anti-corruption strategy to tackle corruption on an individual level, focusing on the state actors as well as the institutional frameworks that facilitate corruption. The cultural context of Venezuela, fragile level of political will, and apprehension toward international inclusion lends more toward state-center theory of anti-corruption, because it provides decision makers with the opportunity to incorporate societal elements to create domestic policies that build political will and include civil society. The Bolivarian Revolution's failure toward curbing corruption and the renewed resolve of Venezuelan citizens provides an opportunity for anti-corruption strategy that goes beyond a one-size-fits-all policy and gains buy-in from the Venezuelan citizen.

V. POTENTIAL VENEZUELAN ANTI-CORRUPTION SOLUTIONS

Venezuela suffers from 17 years of mismanagement under Chávez's policies that resulting in a complex corruption network of patronage relationships and black markets. Venezuela has an unique corrupt situation that has the state ensuring loyalty through patronage networks, while, simultaneously, citizens create black markets that affect the poorest members of society at a lucrative profit for the upper and middle classes. Food shortages and hyper-inflation has spiraled Venezuelan society into a dramatic economic crisis, coupled with rising homicide rates and a polarized society, providing the spark for civil unrest. Protests demand Maduro's resignation and a relief from the crisis. Venezuela, as a result, is primed for intervention to remedy corruption. With the success of the opposition in 2015, the government has an opportunity to incorporate solutions to curb corruption and deliver relief to Venezuelan citizens. Figure 1 shows the new strength of the opposition party in blue versus the red Chavistas or PSUV party.

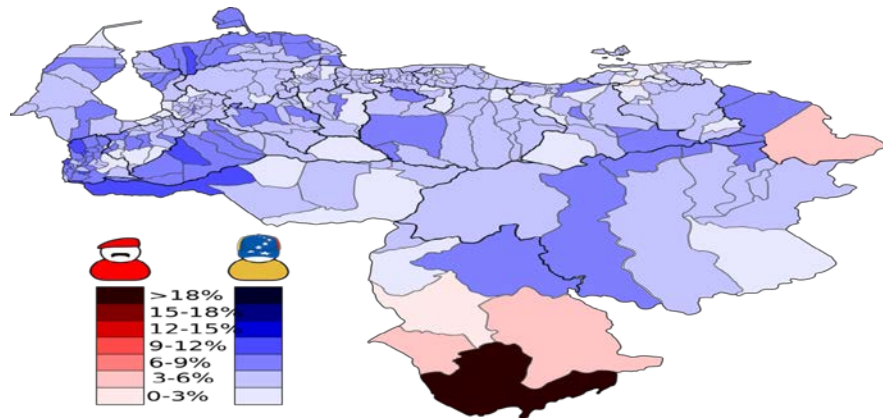


Figure 1. Party Vote Country Level Map.⁴⁷²

This thesis examined the factors that facilitated the rise in corruption during Chávez's presidency in order to determine possible remedies to curtail further

⁴⁷² Source: Noel Maurer, "A Good Post on the Other Venezuela, Slightly Marred by a Bad Translation," *The Power and the Money*, February 27, 2014, <http://noelmaurer.typepad.com/aab/2014/02/a-good-post-on-the-other-venezuela-slightly-marred-by-a-bad-translation.html>.

intensification and violence. Chapter IV explored anti-corruption theories along with Venezuela's societal factors in order to determine a more tailored anti-corruption solution. With the foundation established, Chapter V applies state-center principles through modifications that focus on the state as the driver of policy reform, while working to rebuild civil society participation and political will. This chapter divides reforms into three segments of society: economy, political system, and social accountability, providing a roadmap of possible options for the Venezuelan government, while also comparing the proposed anti-corruption strategies with how similar strategies have worked in Brazil and Mexico. The possible solutions that this thesis proposes for Venezuela comprise of market-friendly, socially democratic economic reforms, political reforms to lessen presidential power, and social accountability reforms to strengthen civil institutions, like the media and security apparatus, through state-center anti-corruption policies within a context of Venezuelan cultural and political will.

A. ECONOMY: MARKET-FRIENDLY SOCIAL DEMOCRATIC REFORMS

Mismanagement of the economy through Cháveznomics could be relieved by a shift toward a market-friendly social democracy model that involves more privatization, foreign investment, and an avenue to incorporate anti-corruption mechanisms. The issue of wealth inequality and poverty lends itself to incorporate economic models that target these issues but provide a stronger oversight than was seen through populist economic models, like Cháveznomics. Market-friendly policies can provide avenues to increase protections for the poor, while still addressing issues of weak governance.⁴⁷³ These reforms may also provide the assistance to tackle rising poverty rates in a more efficient manner. Market-friendly social democracy examples in Latin America included a three-pronged system: consolidated market reforms, targeted public spending, and adherence to democratic norms and procedures.⁴⁷⁴ These reforms would allow Venezuela to tackle the most pressing issues for its population, such as inflation and poverty, while promoting

⁴⁷³ Hal Brands, "The Populist Revival, the Emergence of the Center, and U.S. Policy in Latin America," *Air & Space Power Journal*, accessed August 12, 2016, <http://www.au.af.mil/au/afri/aspj/apjinternational/apj-s/2010/1tri10/brandseng.html>.

⁴⁷⁴ Brands, "The Populist Revival, the Emergence of the Center, and U.S. Policy in Latin America."

anti-corruption mechanisms like checks and balances and allowing citizens access to the political system.⁴⁷⁵ Table 2 illustrates the proposed reforms for Venezuela. Market-friendly social democracy allows for a possible transition away from the Cháveznomics method of dominating the markets.

Table 2. Market-Friendly Social Democratic Economic Reforms

Reform State Control of Economy	Reform price, capital, and currency controls	Incorporate Supreme Audit Institutions (SAI)
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Alberto Fishlow’s 2013 recommendations of market-friendly social democracy draw parallels from Mexico’s actions to incorporate similar reforms. Fishlow says Venezuela should accomplish “de-nationalization, deficit containment, and a fresh start with foreign oil companies,”⁴⁷⁶ in order to create an effective market-friendly social democracy. Mexico provides an example of this transition in 2014, with Fishlow describing how most of the state’s monopolies were privatized, social spending targeted to replace political patronage, and the economy was diversified.⁴⁷⁷ Venezuela could attempt Mexico’s approach, especially diversifying the economy to lessen oil dependence.

Another element of Mexico’s market-friendly social democratic reforms that Venezuela could attempt involves foreign investment. Cháveznomics removed the inclusion of foreign oil companies, discouraging foreign investment. The history of the U.S. foreign oil companies became symbolic as the tools of the imperial U.S. sabotaging Venezuela, similar to Mexico. Venezuela did not do away with foreign investment altogether, though, but engaged with China, Vietnam, and Belarus.⁴⁷⁸ Despite the ability to gain capital from these states, Jorge Piñon argues that those states cannot substitute the

⁴⁷⁵ Brands, “The Populist Revival, the Emergence of the Center, and U.S. Policy in Latin America.”

⁴⁷⁶ Fishlow, “The Curse of Oil-Stoked Populism,” 18.

⁴⁷⁷ Ibid.

⁴⁷⁸ Sara Miller Llana and Whitney Eulich, “Brazil, Venezuela, and Mexico: Three Ways to Nationalize Oil,” *Christian Science Monitor*, May 12, 2012, <http://www.csmonitor.com/World/Americas/2012/0512/Brazil-Venezuela-and-Mexico-three-ways-to-nationalize-oil>.

technological expertise required.⁴⁷⁹ Venezuelans could possibly consider reevaluating current foreign investment with more beneficial partners that can provide the technical expertise. Mexico, like Venezuela, shares the same contested history over foreign investment; however, Aaron Menenberg describes that in Mexico what changed was the political will in political party elites to reevaluate their attitudes toward foreign investment.⁴⁸⁰ In order to follow Mexico's trajectory, Venezuela would also have to rebuild political will in order to encourage more useful foreign investment.

1. Presidential Control Reforms

Presidential power within the economy provides challenges to incorporate Fishlow's recommendation to de-nationalize state industries. According to Venezuela's Bolivarian Constitution, article 236, the president has the power to "administer the national public treasury, negotiate national loans, and order extraordinary budget items in addition to the budget."⁴⁸¹ Article 236 allowed Chávez to increase Venezuela's over-dependence on oil, by regulating PDVSA as his piggy bank for social development projects. Other components to presidential powers include decree powers. The decree powers afforded Chávez the ability to incorporate major socialist initiatives with virtually no opposition. After the economy took a dip in 2008, the following reforms were pushed by decree: "market regulation and outright expropriation of private businesses."⁴⁸² These reforms strengthen state control to gain more businesses like telecommunications and industrial centers,⁴⁸³ further enlarging his fiscal resources to fund more projects. A possible solution involves constitutional amendments over presidential powers to lessen the control of the economy. More accountability mechanisms would be incorporated to ensure a check on presidential power to lessen the use of these industries as presidential

⁴⁷⁹ Llana and Eulich, "Brazil, Venezuela, and Mexico: Three Ways to Nationalize Oil."

⁴⁸⁰ Aaron Menenberg, "Mexican Nationalism and the De-Nationalization of Its Energy," *EconoMonitor*, January 21, 2014, <http://www.economonitor.com/policiesofscale/2014/01/21/mexican-nationalism-and-the-de-nationalization-of-its-energy/>.

⁴⁸¹ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 83.

⁴⁸² Fishlow, "The Curse of Oil-Stoked Populism," 18.

⁴⁸³ Fishlow, "The Curse of Oil-Stoked Populism," 16; Borger, "Venezuela's Worsening Economic Crisis—the Guardian Briefing."

piggy banks, as well as decentralization of powers. This would establish a more even-handed political environment for the National Assembly to pass stronger property rights to lay the foundation for future de-nationalization of several industries seized by Cháveznomics policies and curb the president's ability to enlarge their revenue streams.

Other economic reforms include restructuring social development programs that are currently unsustainable due to the high cost of government spending and filled with corrupt operations. A decrease in government spending, which increased by 137% in 2008,⁴⁸⁴ is necessary considering the difficulties in the state to maintain its current rates. Market-social democratic reforms can incorporate more targeted social development projects by diminishing Cháveznomics policies that created complex patronage networks (through misiones) that permitted Chavistas to stay in power. In order to dismantle the government's patronage networks involve more targeted development programs that remove the motivations of the state to use them as vote-buying mechanisms. In order to dismantle those networks, social development projects can develop more long-term mechanisms to lessen the population's dependency on the state while lessen state costs. Brazil's *Bolsa Familia* attempted such an approach by incorporating both short-term and long-term components. The program provided cash handouts to families with children under the stipulation that the children attended school.⁴⁸⁵ This program incorporated short-term aid in cash handouts to families with the end result of long-term gains in assisting generations get out of poverty through education. Stipulations to aid provide the opportunities to the most disadvantage segments of a population to better their situations and lessen their dependence. Restructuring Venezuela's misiones to create long-term initiatives in order to provide a stopgap to reverse inter-generational poverty.

2. Price, Capital, and Currency Control Reforms

Chávez, in an attempt to assist the poor, implemented price controls in goods and currencies, allowing for corrupt parallel institutions to disrupt the state's economy. Price

⁴⁸⁴ Rodríguez, "An Empty Revolution," 57.

⁴⁸⁵ Michael Reid, *Brazil: The Troubled Rise of a Global Power* (New Haven: Yale University Press, 2004), 147, Kindle Edition.

controls create artificial prices on basic goods to keep them inexpensive for citizens. The problem with the government price controls results in a demand and supply imbalance. Suppliers lost the incentive to provide goods due to their low profit and resulted in selling their goods to smugglers at a higher price.⁴⁸⁶ Venezuelan suppliers are engaging in this practice with smugglers selling the goods to neighboring Colombia or in the Venezuelan black market for a higher profit.⁴⁸⁷ The creation of a lucrative parallel black market institution occurs and exacerbates the food shortages, forcing even the most law-abiding citizens to participate in corruption. Figure 2 illustrates the issue of the scarcity in consumer products

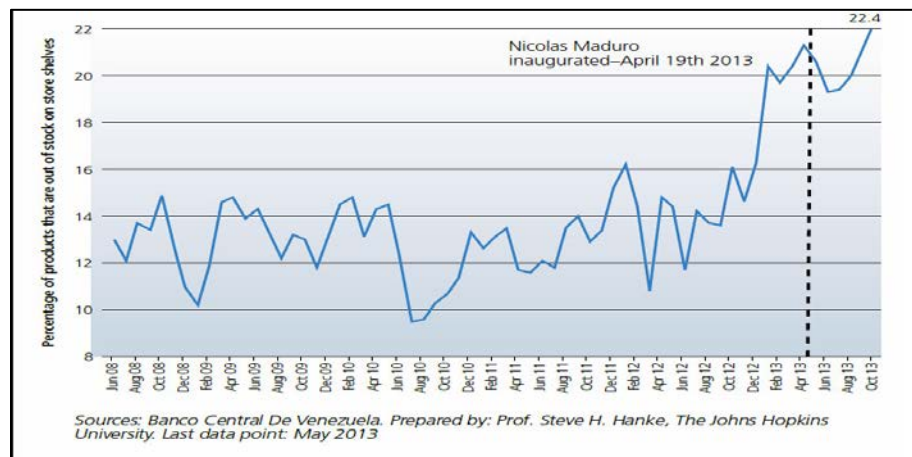


Figure 2. Venezuela Scarcity Index In Stores⁴⁸⁸

Currency and capital controls created a foreign exchange black market that, along with price controls on goods, made corruption widespread throughout society. Chávez created a currency system that strengthens the bolívar to “prevent the flight of capital.”⁴⁸⁹

⁴⁸⁶ “The 4 Most Urgent Reforms for Venezuela’s New Congress,” *PanAm Post*, January 4, 2016, <https://panampost.com/valerie-marsman/2016/01/04/the-4-most-urgent-reforms-for-venezuelas-new-congress/>.

⁴⁸⁷ “Venezuela’s Economic Crisis Explained,” YouTube video, 11:15, Posted by “Caspian Report,” March 13, 2014, <https://www.youtube.com/watch?v=OrFM5UD-Azk>.

⁴⁸⁸ Source: Steve Hanke, “Venezuela’s Playbook: The Communist Manifesto,” *Financial Sense*, December 13, 2013, <http://www.financialsense.com/contributors/steve-hanke/venezuela-playbook-communist-manifesto>.

⁴⁸⁹ “The 4 Most Urgent Reforms for Venezuela’s New Congress.”

The controls implemented a fix exchange rate, where the government controlled how much foreign currency could be purchased and how much could leave the country. A black market formed from loopholes in the policy. In the black market, a citizen can gain a higher exchange rate than the government's for dollars, which results in citizens exploiting loopholes in order to purchase dollars at a cheap rate and sell them within the black market for major profits.⁴⁹⁰ This practice creates an informal economy that the state is unable to tax, losing millions in potential tax revenues.⁴⁹¹ The control policies further the desire to engage in corrupt practices with goods being smuggled and sold in Colombia. The goods are then purchased in U.S. dollars with smugglers returning to exchange them back to bolivars in the black market rate resulting in a lucrative profit.⁴⁹² This black market affects the population disproportionately because the upper and middle class are the only ones with access to the black market to gain a profit, leaving the lower class reeling from the food shortages and high inflation that the informal economy creates.

Attempts to remove black market incentives involve policies that could further plunge the economy into a deeper crisis. Experts like Nelson Merentes, the 2013 finance minister, attempted more pragmatic reforms, such as opening up the foreign exchange market and devaluing the bolívar to normal global rates.⁴⁹³ The reforms expose the potential to higher inflation that could agitate the public enough to generate another Caracazo riot. Thus, this fear drove the government to maintain current policies and remove him (Merentes) from office.⁴⁹⁴ While potentially ruinous, removing price controls to allow for the return to current market levels could reshape the economic model of Cháveznomics and remove the bubble of exchange rates.

⁴⁹⁰ "Venezuela's Economic Crisis Explained."

⁴⁹¹ "Venezuela Divided." YouTube video. 24:56. Posted by "Al Jazeera English."
<https://www.youtube.com/watch?v=tkBLx05ZlVw>.

⁴⁹² "Venezuela's Economic Crisis Explained."

⁴⁹³ Ibid.

⁴⁹⁴ Ibid.

3. Supreme Audit Institutions

Supreme Audit Institutions (SAI) provides a possible anti-corruption mechanism that agrees with market friendly social democratic reforms. According to Menocal et.al., SAIs are to perform audits of public funds to ensure projects are meeting the intent responsibly with transparent communication to the public.⁴⁹⁵ Figure 3 establishes a visual depiction of the institution.

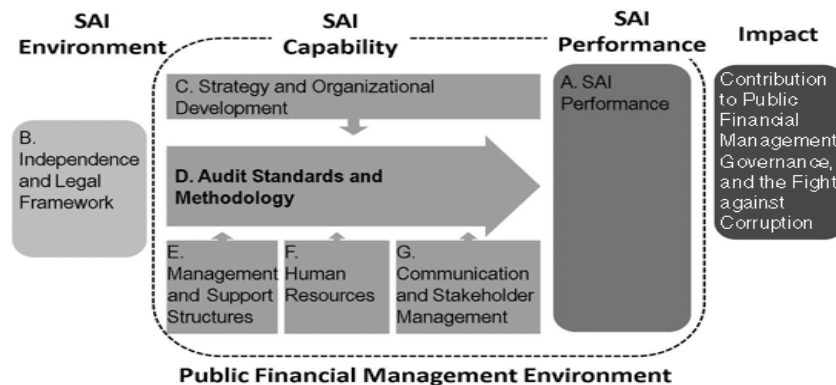


Figure 3. The Proposed Structure of the Supreme Audit Institution Framework⁴⁹⁶

SAIs use standard (regulatory) and specialized (forensic) audits in order to analyze institutions' budgets. Menocal et.al., identifies the difference of the two forms of audits being the depth of focus and that specialized audits are "more effective at detecting and reducing corruption, especially if accompanied with punitive sanctions."⁴⁹⁷ The secretive nature of Venezuela's financial practices requires objective audits through autonomous independent organizations. Hence, the removal of political interference through amendments strengthens SAIs effectiveness to provide oversight on public funds along with market-friendly social democratic reforms, ensuring anti-corruption effectiveness in Venezuela.

⁴⁹⁵ Menocal et al., "Why Corruption Matters," 61.

⁴⁹⁶ Source: "Development of a Measurement Framework to Enhance the Performance of Supreme Audit Institutions," *International Journal of Government Auditing*, October 2012, http://www.intosaijournal.org/highlights/intosai_donor_cooperation_update_oct2012.html.

⁴⁹⁷ Menocal et al., "Why Corruption Matters," 63.

B. POLITICAL SYSTEM

Venezuela's populist political system, Chávismo, concentrates power to the executive, where reforms can provide an opportunity to incorporate strong transparency and accountability mechanisms. In order for Chávez and Maduro to remain in power over the last 17 years, Chávismo policies required the use of patronage networks. The president's unrivaled strength resulted in the political system relating more with authoritarianism than democracy. This observation, according to the IEP's Peace and Corruption 2015 report, identifies Venezuela as a hybrid regime, which are authoritarian with some democratic processes.⁴⁹⁸ A hybrid regime navigates as a democracy without following a truly democratic approach. Table 3 notes strategies such as decentralization of presidential power could disseminate that influence from the president and gain autonomy for local politicians. Communal councils were an attempt of Chávismo's decentralization efforts that resulted in becoming extensions of Chávez's influence at the local levels. Their power as an informal institution challenge municipal governments and introduce patronage networks from the president to the councils, which further increases the president's power in the lowest levels of politics.

Table 3. Political Reforms

Decentralization	Institutional Reform	Public Financial Management (PFM)
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1. Institutional Reforms: Communal Councils

To curb the political patronage of communal councils, Venezuela can reform the operational control of the councils and include oversight mechanisms. Oversight mechanisms can monitor public funds, which have been identified as a major issue among the councils' operations. Oversight mechanisms require a reworking of the organizational structure to make the councils accountable to municipal officials and remove their direct link to the president. For this to occur, councils would fall under the

⁴⁹⁸ "Peace and Corruption 2015: Lowering Corruption A Transformative Factor for Peace," Peace and Corruption (Institute for Economics and Peace, May 2015), 17, <http://reliefweb.int/sites/reliefweb.int/files/resources/Peace%20and%20Corruption.pdf>.

jurisdiction of municipalities' oversight mechanisms to ensure funds are responsibility used. For example, Chávez used the informal institutions to directly fund pro-government supporters in the process of subverting opposition mayors.⁴⁹⁹ Communal councils' budgets received an increase from \$1 Billion in 2006 to \$5 billion in 2007⁵⁰⁰ that came directly from the central government and was diverted from municipal governments. Strong societal divides make communal reforms difficult because of the animosity between the council, municipal governments, and the society. Councils do not want to lose their power among the state despite the patronage networks undermining opposition-led municipal governments. The reforms, as a result, would have to incorporate civil society in order to reach a negotiated settlement allowing for a united working relationship and remove the president's direct access to councils in order to extend control.

2. Military

The Military, under Chávismo policies, underwent a politicization rendering them one of the largest patronage networks in Venezuela. Currently, the military leads all social development programs under opaque operations. Article 328 of Venezuela's constitution created a new role for the military as the handlers of social development for the state.⁵⁰¹ Generals became public administrators of major social development projects that operate secretly because of the removal of autonomous oversight and preferential status from the president. Promotions procedures were also changed to create a patronage network of government loyalists, where the president rewards loyalty with promotions and assignments. Article 331 as well as the 2002 Organic law gave the president power to approve all military promotions and positions, thus, removing the oversight responsibility from the Asamblea Nacional.⁵⁰² Removing the legislative oversight of the Armed Forces allowed the president to ensure loyalty among a powerful institution, which was

⁴⁹⁹ Ellsworth, "Special Report."

⁵⁰⁰ Looney, "Chavistanomics," 13–14.

⁵⁰¹ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 117.

⁵⁰² Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 83; Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 117.

especially important to Chávez. Chávez viewed the Armed Forces as the representation of the Bolivarian Revolution and the only viable institution to ensure his goals. A means to remove politicization of the military involves the Venezuelan government returning to civilian control.

Civilian control returns by re-establishing legislative branch oversight and replacing the military with a civil servant bureaucracy in social development projects. The reforms will de-politicized the forces and remove the president's uncontested control. Social development projects currently place officers within bureaucratic positions and at closest proximity to the president. As a result, Harold Trinkunas identified that the military had to only answer to the president and were able to replace local governments as the main representatives of social development.⁵⁰³ The Venezuelan government can rebuild the civil servant bureaucracy to assume the responsibilities of social development. A public administration bureaucracy will create civil servants with the technical expertise to effectively organize and manage social development programs with oversight mechanisms and ethics training to ensure non-corrupt practices of public funds.

3. Public Financial Management

With the creation of a new civil servant bureaucracy, a professional autonomous auditing mechanism is required to provide oversight, like Public Financial Management. Public Financial Management (PFM) evaluates public administrations for bribery and fraud. The new civil servant bureaucracy as well as communal councils could include PFMs to monitor against corrupt practices. PFMs typically incorporate five categories of reform: decentralization, public expenditure tracking, revenue and customs, procurement, and central budget planning and management. For Venezuela, there anti-corruption mechanism would include decentralization, public expenditure tracking, and central budget planning.

⁵⁰³ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*, 216.

a. *Decentralization*

Decentralization will remove the president's power to lead all decision-making of state institutions, like the military. Decentralization means to decentralize decision-making processes to "reduce extortion capacities of central bureaucrats and increases accountability of local politicians to their constituents."⁵⁰⁴ The main elements of decentralization involve fiscal and revenue gathering, or in other words the ability to spend money and collect taxes. In Venezuela, decentralization would remove presidential power of the military back to the legislative branch. Also, presidential power of the councils will go from the president to the municipal government. Decentralization reforms will ensure the citizen's ability to "provide checks on the state or be allowed to participate in the design or monitoring of the reforms."⁵⁰⁵ Civil servants in charge of social development will also benefit from decentralization. The central government could also incorporate fiscal decentralization efforts from the central government down to the state and municipal levels. With the communal councils incorporated with the municipal governments, oversight on central government funds will remove the parallel status they currently operate in, providing another check to the system. This allows the councils to continue to provide for their communities in a transparent open environment.

b. *Public Expenditure Tracking*

Another element of PFMs, public expenditure tracking, tracks money in institutions. The mechanism follows the "flow of money from central ministries to front-line agencies, comparing reports with actual expenditure."⁵⁰⁶ Current social development programs and communal councils lack this oversight. Public expenditure tracking requires an inclusion of strong sanctions that incorporate civil society⁵⁰⁷ into the system. For Venezuela, public expenditure tracking requires freedom of movement from the central government and provide transparency of operations they monitor. The reforms

⁵⁰⁴ Menocal et al., "Why Corruption Matters," 57.

⁵⁰⁵ Ibid.

⁵⁰⁶ Ibid., 58.

⁵⁰⁷ Ibid.

require autonomous institutions to conduct oversight and laws with financial penalties for corrupt practices. Brazil serves as an example of such a public expenditure tracking mechanism.

Brazil's Anti-Corruption Law or the Clean Companies Act incorporated elements of public expenditure tracking among its corporate environment. The law incorporates sanctions that include "liability for bribery, incentivize compliance, and facilitate public enforcement."⁵⁰⁸ The 2015 anticorruption law enacted includes, "specific rules for compliance programs and establishes fines and other procedures," like:

1. Create criteria for calculating administrative fines, a method for recognizing mitigating factors such as cooperation, self-reporting, and the existence of prior compliance practices, the value of the contract with the government and the economic position of the offender.
2. Specific rules for compliance programs to include procedures for establishing codes of conduct and ethics codes, whistleblowing and other business integrity provisions that must be adopted into Brazil's companies and monitored according to the size and circumstance of the company.
3. Designate the Office of the Comptroller General of the Union as the responsible body for oversight and jurisdiction to start investigations and prosecute violations.
4. Create rules of plea or leniency agreements for offending companies who wish to cooperate with authorities and accept their responsibility.
5. Develop a national registry for offending companies.⁵⁰⁹

A major element of the sanctions involves high fines and dissolutions "from .1% to 20% of the annual gross revenues of the company or three times the benefit sought or

⁵⁰⁸ Pat Barr et al., "3.14 Rio 2016 and the Birth of Brazilian Transparency," in *Global Corruption Report: Sport*, 2016, 277.

⁵⁰⁹ Richard C. Smith et al., "A Comparison Of Anti-Corruption Laws In US, UK, Brazil—Law 360," *Law360*, April 3, 2015, <http://www.law360.com/articles/638561/a-comparison-of-anti-corruption-laws-in-us-uk-brazil>.

received from the misconduct.”⁵¹⁰ Venezuela, as a masculine society according to Bryan Husted, responds most to financial sanctions then jail sentences.⁵¹¹ As a result, a public financial tracking institution similar to Brazil that attaches financial sanctions corresponds most with Venezuela’s masculinity tendencies.

c. Central Budget Planning and Management

A final PFM element for Venezuela, central budget planning and management, provides restrictions of the government’s ability to use public funds to fuel patronage networks. Central budget planning and management are meant to strengthen budgets’ planning and management procedures within the central government.⁵¹² Menocal et.al. cite Dorotinsky and Pradhan’s cross-country studies that claim countries that incorporate strong budget procedures obtain a lower ranking in the Corruption Perception Index.⁵¹³ Venezuela’s constitution allows the president to add “extraordinary budget items,”⁵¹⁴ allowing the budget to be manipulated by presidential whims and unaccounted for. Central budget planning and management mechanisms, as a result, would provide a check by an external institution to ensure a more clear record of public fund allocations. Reforms would manifest in “transparency in accounting, recording, and reporting procedures; prevention in fraud analysis; and budget formulation capability.”⁵¹⁵ Autonomous institutions would conduct these evaluations in political institutions. This mechanism would also require strong social accountability mechanisms to ensure transparency is transmitted to civil society.

⁵¹⁰ Richard C. Smith et al., “A Comparison Of Anti-Corruption Laws In US, UK, Brazil—Law 360,” *Law360*, April 3, 2015, <http://www.law360.com/articles/638561/a-comparison-of-anti-corruption-laws-in-us-uk-brazil>.

⁵¹¹ Husted, “Culture and International Anti-Corruption Agreements in Latin America.”

⁵¹² Menocal et al., “Why Corruption Matters,” 60.

⁵¹³ *Ibid.*, 60–61.

⁵¹⁴ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*, 83.

⁵¹⁵ Menocal et al., “Why Corruption Matters,” 61.

C. SOCIAL ACCOUNTABILITY

State center anti corruption strategies involves the inclusion of civil society through strengthening Venezuela’s social accountability mechanisms. Strong social accountability instruments strengthen other anti-corruption reforms through the building of political will. The components of social accountability institutions are the media and the state’s security apparatus. Civil Service groups fill the vacuum left by the state during the reform process to build political will and citizen’s trust in the government’s ability to realize effective anti-corruption efforts. Table 4 provides the possible social accountability reforms.

Table 4. Social Accountability Reforms

Media Reform	Security Apparatus reform	Independent Anti-Corruption Tribunal
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1. Media

The media works exclusively to incorporate citizens into the anti-corruption process. Menocal et.al., describes that “freedom of press is an intermediate factor moderating the relationship between transparency and accountability.”⁵¹⁶The media experienced several years of suppression from Chávismo policies. Freedom House’s 2015 Freedom of the Press report ranked Venezuela Not Free with a score of 81 out of 100 (zero meaning free and 100 not free).⁵¹⁷ An evident rise from their 2002 report that had Venezuela ranked Partly Free with a score of 44 out of 100.⁵¹⁸ Hugo Chávez gradually suppressed media outlets through regulatory and ownership changes that circumvented constitutional protections. Chávez legitimized his actions through pushing the narrative that the media in Venezuela was an extension of the corrupt politicians of Punto Fijo. In 2007, Chávez closed RCTV and in 2009–2010 closed “34 radio stations, 2

⁵¹⁶ Menocal et al., “Why Corruption Matters,” 72.

⁵¹⁷ “Freedom of the Press Report, 2015,” Freedom House, accessed July 27, 2016, <https://freedomhouse.org/report/freedom-press/freedom-press-2016>.

⁵¹⁸ “Latin America and Caribbean Countries, 2002 Freedom of the Press Regional Scores,” Freedom House, accessed July 27, 2016, <https://freedomhouse.org/sites/default/files/FOTP%202002%20Regional%20Score%20Tables.pdf>.

regional TV stations, 6 cable TV stations, and 2 newspapers.”⁵¹⁹ Exploiting polarization of society, the Venezuelan government manipulates the media through targeted propaganda to gain support on a given situation. Regardless of the government’s manipulation of the platform, media is vital in informing citizens and fostering political will against corruption, a key element to state center anti-corruption strategies.

New media reforms necessitate the removal of criminal penalties of libel and defamation charges, as well as changes in legislation over the presidential control over the media. Currently, article 58 of the constitution provides “free and plural” communications for everyone having the right to “timely, truthful, and impartial information without censorship, in accordance with the principals of this Constitution, as well as the right to reply and corrections when they are directly affected by inaccurate or offensive information.”⁵²⁰ Yet, Chávismo’s censorship policies bypass the constitution. For example, in 2000, Chávez, gained power to “suspend broadcasting when he judges it to be in the interest of the nation.”⁵²¹ Government enacted judicial reforms in regards to defamation, means that the government can go after news outlets and journalists, who defame the government with prison sentences of up to 30 months.⁵²² Other government reforms included the 2004 *Resorte* Law, which in 2010 was amended to include more restrictions on expression, creating vague language to legitimize government censorship.⁵²³ Examples of that censorship included censoring by force, placing journalists in jail, harassment, or other acts of violence. Also, journalists are seen practicing self-censorship because the government secretly purchased newspapers.⁵²⁴ Opposition outlets reported shortages in newsprint as well.⁵²⁵ In terms of access to

⁵¹⁹ Anabella Abadi M, “Busting the Myth of Freedom of Speech in Venezuela,” *Caracas Chronicles*, March 17, 2014, <http://www.caracaschronicles.com/2014/03/17/busting-the-myth-of-freedom-of-speech-in-venezuela/>.

⁵²⁰ Asamblea Nacional Constituyente, *Constitution of the Bolivarian Republic of Venezuela*.

⁵²¹ “Venezuela, Freedom of the Press 2002,” Freedom House, <https://freedomhouse.org/report/freedom-press/2002/venezuela>.

⁵²² Ibid.

⁵²³ 2015 Freedom of the Press Report.

⁵²⁴ Ibid.

⁵²⁵ “Freedom of the Press Report, 2015.”

information, citizens are restricted through the nuance of the law that allows the government to deny information considered critical to the government.⁵²⁶ The media needs clear language in legislation to protect against government's violations of freedom of press rights.

Social media empowered civil society groups to replace traditional media outlets. Currently, social media outlets, like Twitter, assist citizens to find medicines, food, and accurate news.⁵²⁷ Venezuela, with the lowest bandwidth in Latin America, has the most citizens active on the Internet. Venezuela has 10 million smartphones within the country⁵²⁸ and 85% Facebook and Twitter penetration rate.⁵²⁹ Applications like, "Here it is" and Transparency International's anti-corruption app *Dilo Aqui*, utilizes social media to gain direct access to society and circumvent government suppression. Citizens follow twitter handles, like *@Impacientes Venezuela* to find medicine or food and *@DolarToday* to find the day's black market prices. For news, people rely on *Efecto Cocuyo*, an online news source and Twitter handle *@NotiTweets* to gain more objective news. Politicians also use Twitter to penetrate the middle and upper classes. The low bandwidth throughout the state, however, limits exposure to segments of the population. Traditional Media reforms allow more free and fair news to expand throughout the state where social media cannot reach. Social media will assist to fill the gap until traditional media outlets operate more freely.

2. Security Apparatus

Another component of social accountability to provide reforms is Venezuela's security apparatus. The security apparatus allows for anti-corruption mechanisms to have protections under rule of law to enforce effective sanctions to curb corruption. The specific elements of the security apparatus are police and judicial institutions that are

⁵²⁶ Ibid.

⁵²⁷ "On the Front Lines of Venezuela's Fight for Free Press: Blackout," YouTube Video, 20:08, from an episode of Blackout: Venezuela's Activist Journalists, Posted by "Vice News," June 21, 2016, <https://www.youtube.com/watch?v=HC7LInc3yDU>.

⁵²⁸ "Venezuela: Surviving via Social Media," YouTube video, 6:26, posted by "Financial Times," March 27, 2015, <https://www.youtube.com/watch?v=ChFj3u-Dc1U>.

⁵²⁹ "On the Front Lines of Venezuela's Fight for Free Press."

found to conduct corrupt practices and increased citizens' distrust in anti-corruption reforms. Reforms in these institutions allow for more transparent operations to preserve law and order in the state as well as assist in anti-corruption sanctions. Historically, these institutions are perceived as the most corrupt institutions among all of Latin America. The ramifications of neglecting these institutions are the inability to suppress violent activity and exposure to more intense corrupt practices under an umbrella of impunity.

a. Police

Venezuela's police force suffers from corrupt operations that cripple the credibility to uphold potential anti-corruption methods. IEP research identified that 83% of Venezuelans view the police as corrupt and high levels of violence are correlated to high levels of corruption in police and judicial institutions.⁵³⁰ The citizens, in turn, lose trust and safety. The lack of trust in the security apparatus hinders perceptions that corrupt actors can be held accountable. In Venezuela, as a result, parallel institutions, like the Bikers Union also known as *Colectivos*,⁵³¹ are replacing law enforcement by introducing patronage practices to suppress subversives to the Venezuelan government. Chávez created colectivos, as pro-government armed units that appear more like an armed extension of Chávismo politics that suppress opposition voices and further divides the state. Along with the colectivos use of violence, 90% of murders in Venezuela go unsolved and with the government doctoring the numbers of crime rates denies people an accurate picture of the current situation.⁵³² Citizens feel unsafe; with the 2015 Legatum Prosperity Index reporting 22.4% of the population feels safe walking at night compared to the global average of 61.9%.⁵³³ More government transparency allows for an accurate picture of how the police are doing and allows citizens to demand accountability.

⁵³⁰ "Peace and Corruption," 12.

⁵³¹ "Behind the Protests in Caracas: Venezuela Rising."

⁵³² "Murder Rates Keep Rising in Venezuela Part 1 of 3," YouTube Video, 7:13, from a three part series presented by Vice News, posted by "Vice News," Oct 3, 2012, <https://www.youtube.com/watch?v=i2uoMIBvp2k>.

⁵³³ "The 2015 Legatum Prosperity Index," Legatum Institute, accessed August 15, 2016, <http://www.prosperity.com/#!/country/VEN>.

From the police's perspective; there are a lack of resources to combat crime and corruption. Ryan Duffy states that the police look at the lack of government assistance as the problem.⁵³⁴ Police reforms require more resources to curb the motivations of corruption. The lack of government providing resources allows for corruption through bribes by criminal organizations. Criminal organizations, like the Cartel of the Suns, are known to have ties with both police and military officials.⁵³⁵ The Venezuelan government needs cooperation among government officials and the local colectivos to fill the gap of limited resources. The burden of high crime rates and few police officers requires the use of those colectivos to provide support through bodies such as community watch efforts and delivering information. The cooperation will remove the central government's ability to manipulate colectivos with patronage practices of resources that undermine police operations. Colectivos used to suppress opposition protests in aggressive manners⁵³⁶ exacerbate violence. The cooperation with the police will assist in rebuilding trust in the security apparatus and regain control to maintain law and order.

Another factor of police reform creates a means to monitor for police's compliance. Internal affairs equivalent that remains autonomous from the police's chain of command in units provide objective monitoring and accountability. Other reforms involve training in both ethics and tactics in police units, which assist in gaining citizens' trust and dissuade corrupt practices. Ethics training provides a culture of zero tolerance toward corruption and a safe environment for whistleblowers to report corrupt practices.

b. Judicial

The second element of Venezuela's security apparatus, judicial institutions, can use reforms in removing the manipulation of the president. Most judicial reforms in Latin American countries have turned to the United States, OAS, and the United Nations, in

⁵³⁴ "Murder Rates Keep Rising in Venezuela Part 1 of 3."

⁵³⁵ Colmenares, "Criminal Networks in Venezuela: Their Impact on Hemispheric Security," 60.

⁵³⁶ "Behind the Protests in Caracas: Venezuela Rising."

terms of technical and resource assistance.⁵³⁷ Venezuela's current attitude toward international aid requires political will to gain the necessary acceptance. Guatemala went to the UN for help and created the International Commission against Impunity in Guatemala (CICIG). Impunity remains an issue among the security apparatus that involves reforms to judicial institutions. Another reform encompasses maintaining the court system's political independence. The reform would assist the judicial branch to investigate, prosecute, and convict individuals against corrupt practices. Regardless of political affiliations, the judicial branch should operate independently from the executive.

3. Anti-Corruption Special Task Force

A possible solution to incorporate within the judicial branch is the creation of autonomous special investigator units and tribunals. The Venezuela's Special Task Force would incorporate specialized police units along with special prosecutors to investigate, indict, convict, and ultimately prevent future corruption. This body would be an independent institution from the central government in order to prevent politicization and freedom of apprehension to go after specific members of government, which has been an issue in Venezuela's court system.⁵³⁸ Powers need to be awarded to the independent party in order to provide effective sanctions that are backed by the political will of the state's political elites, in order to prevent undermining of convictions or creating loopholes granting exceptions to the law. The task force would also need means to monitor and track anti-corruption laws created by the state to ensure their effectiveness as well as procedures to provide transparent accounts of institutional procedures.

Venezuela's anti-corruption task force can be created with assistance from and from IOs, as was the case with Guatemala's CICIG. CICIG experienced significant successes in corruption cases involving the highest levels of government officials and removing impunity from high profile officials like Guatemalan President Otto Pérez

⁵³⁷ United States Department of State, "Venezuela 2012 Crime and Safety Report," (Judicial Bureau of Diplomatic Security: United States State Department, January 2012), <https://www.osac.gov/pages/ContentReportDetails.aspx?cid=13038>.

⁵³⁸ Gates, "The Politics of Corruption in Venezuela."

Molina in 2015.⁵³⁹ The UN provided assistance to Guatemala's judicial system through training and resources. IOs could assist in the creation of an independent body to focus on corruption, legitimizing Venezuela's security apparatus, as well as provide financial and political backing. Recommendations from this independent body will further strengthen the security apparatus and gain trust from the public. Unfortunately, these reforms involve a high level of political will from government officials to incorporate IO networks. Given Venezuela's current political environment, the likelihood of these reforms proves difficult to obtain. A counter-argument to the international anti-corruption body centers on the idea of an internal body that operates similar to CICIG but without international organization's assistance like Mexico's latest anti-corruption initiatives.

Mexico's new anti-corruption tribunal came from a robust law that deals with corruption internally without IO assistance. In 2014, the reforms created unprecedented initiatives toward anti-corruption and by 2016; the new anti-corruption reforms were signed into law.⁵⁴⁰ The new laws involved "changing 14 constitutional articles, drafting 2 new general laws, and reforming five more."⁵⁴¹ The National Anti-corruption System created "independent and effective authorities, comprehensive and integrated system of administrative responsibilities, a new criminal regime to fight corruption, and a new control and oversight system to coordinate state and local authorities."⁵⁴² Civil Society groups were involved to influence the government over the role of the special prosecutor and other issues in relation to the new laws. According to these civil society groups, the special prosecutor was "too beholden to the President" and could potentially be used [in] partisan attacks.⁵⁴³ Political will was present to enact policies, but at a slow and shallow

⁵³⁹ Jo Tuckman, "'Otto Pérez Molina Loses Presidential Immunity in Guatemala Congress Vote,'" *The Guardian*, September 1, 2015, <http://www.theguardian.com/world/2015/sep/02/otto-perez-molina-loses-presidential-immunity-in-guatemala-congress-vote>, sec. World news.

⁵⁴⁰ Viridiana Rios, "Mexico Wins: Anti-Corruption Reform Approved," *Forbes*, July 18, 2016, <http://www.forbes.com/sites/themexicoinstitute/2016/07/18/mexico-wins-anti-corruption-reform-approved/>.

⁵⁴¹ Ibid.

⁵⁴² Ibid.

⁵⁴³ Jesse Heath, "Anticorruption Update—Reform Stalls, Scandals Intensify," *The Mexico Monitor*, December 19, 2014, <https://themexicomonitor.com/2014/12/19/anticorruption-update-reform-stalls-scandals-intensify/>.

level of effort. Civil Society groups and the media applied pressure to push reforms forward. Analysis from Jesse Heath identifies that delays resulted from “existing branches of government [that] are hopelessly corrupt and cannot be trusted to oversee anti-corruption efforts.”⁵⁴⁴ Heath further hypothesizes that a major corruption-related scandal could generate political will.⁵⁴⁵ Either way, Venezuela attempts to create a special task force requires provisions to build political will through media influence to expose corruption.

4. Building Political Will

In order for Venezuela to build political will, the media and security apparatus institutions should be able to use corruption scandals as a means to apply pressure to state elites. The current corruption scandals that encircle the Mexican President with his personal residence are considered minor in terms of typical Latin American scandals; however, their influence pushed political will and resulted in the latest laws and reforms to the National Anti-corruption System. Corruption scandals of a larger scale, as is the case in Brazil, prove to be a viable spark for substantial anti-corruption reform. According to Heath, the necessity of Venezuela to strengthen its social accountability apparatus is primed to expose “the smoking gun” citizen’s need. The use of civil society groups and media to apply pressure proves necessary to build political will, as was the case with protests in Brazil assisting in their anti-corruption reforms. In large part, corruption scandals can motivate action from both the public and the government to enact reforms to combat the issue.

A major corruption scandal applied pressure to Brazil’s political elites to enact anti-corruption reforms. Brazil’s *Mensalaõ* corruption scandal’s investigations began in 2005, where “public funds were illegally used to pay members of Congress in exchange for backing the government in crucial votes.”⁵⁴⁶ 25 politicians, bankers, and businessmen

⁵⁴⁴ Ibid.

⁵⁴⁵ Heath, “Anticorruption Update—Reform Stalls, Scandals Intensify.”

⁵⁴⁶ “What Has Gone Wrong in Brazil?” BBC News, May 31, 2016, <http://www.bbc.com/news/world-latin-america-35810578>.

were convicted.⁵⁴⁷ Also, within that same year, Brazil signed an anti-corruption law to focus on businesses through the creation of firm laws and sanctions for corrupt actions such as bribery of public officials.⁵⁴⁸ For the first time, corporations are liable, not just individuals. The law was not perfect, leaving room for interpretation among the states and municipalities and exposing the potential of non-standardization to the law, watering down its affectability.

Public outcry over scandals tested anti-corruption efforts and galvanized Brazil. The major corruption scandal involves both the state-owned oil company Petrobras and government officials. The Petrobras scandal, also known as Operation Car Wash, involves bribery schemes from Petrobras executives to government officials to obtain lucrative contracts. This scandal incorporated a majority of members of government, from congressional members, executive cabinet members, to President Rousseff. In 2015, protests flooded the streets over the scandal, demanding impeachment of the President. This scandal exposed a significant move for Brazil in terms of going after major members of the ruling elite and holding them accountable. Protests forced political will in the part of the government to allow for the continuation of anti-corruption investigations and provide more judicial power to prosecute the offenders in this scandal. By May 2016, President Dilma Rousseff was suspended from office pending an impeachment trial over government account manipulation to hide the true state of the economy.⁵⁴⁹ By September 2016, she was found guilty and dismissed.⁵⁵⁰ The media exposure of Brazil's scandals resulted in the public reacting through massive protests throughout the country and the political elites being forced to respond. Venezuela's current protests over the economic crisis and calls of corruption from the government serve as a similar example to Brazil's citizen involvement and provide hope in building political will.

⁵⁴⁷ "What Has Gone Wrong in Brazil?" BBC News, May 31, 2016, <http://www.bbc.com/news/world-latin-america-35810578>.

⁵⁴⁸ Andy Spalding, "From the 2014 World Cup to the 2016 Olympics: Brazil's Role in the Global Anti-Corruption Movement," *Southwestern Journal of International Law* 21, no. 1 (2014): 76.

⁵⁴⁹ "What Has Gone Wrong in Brazil?"

⁵⁵⁰ "Rousseff Leaves Brazil Presidential Palace for Last Time," (BBC News, September 7, 2016), <http://www.bbc.com/news/world-latin-america-37293119>.

D. CONCLUSION

The mismanagement of Venezuela's political and economic systems led to patronage networks operating under the safety of a high oil price umbrella. Domestic patronage networks created between the president and key members of society were what maintained Chávez in power. Examples, like cash handouts, promotions, and lucrative positions were given in exchange to loyalty. The government's inability to maintain spending and corrupt practices spiraling out of control has motivated the population to demand change. Venezuela's anti-corruption strategy relies on: crucial reforms of the economy to a market-friendly social democratic system, reduce patronage networks and presidential control in Chávismo's political system, and rebuild political will and citizen engagement through social accountability institutions. Venezuela's anti-corruption strategy could gain validation through examples from two progressive anti-corruption laws passed in Mexico and Brazil. The opportunity presented through Venezuela's current crisis allows for anti-corruption policies that consider Venezuela's societal elements to curb Chávez's legacy of corrupt practices in Venezuela.

VI. CONCLUSION

Today the immense majority of Venezuelans want change, but similar to us, the common citizen and Venezuela's democracy are incarcerated by corrupt elite who is only interested in remaining in power.

—Leopold Lopez, May 23, 2015⁵⁵¹

A review of post-Chavez Venezuela, demonstrates how Chávismo replaced former political elites' corrupt practices with systematic patrimonial networks. In May 2009, during the 10th anniversary program of Chávez's weekly show, *Aló Presidente*, President Chávez called the people to act against corruption at the first signs of it: "the party and government need to set the example of transparency and honesty and those who know about it should admit it here and now."⁵⁵² Despite Chávez's rally cry, Transparency International's 2014 Corruption Perceptions Index identified "Venezuela as the most corrupt country in Latin America for the 10th straight year."⁵⁵³ This thesis endeavored to understand the large disparity between Chávez's anti-corruption rhetoric and the steady rise in Venezuela being perceived as corrupt. Specifically, this thesis evaluated two factors that assisted in the rise of corruption: weak governance and oil overdependence. The thesis also examined various anti-corruption means and proposes state center anti-corruption method to help Venezuela.

This thesis discovered four main findings that identify Venezuela's current state of corruption and the means to incorporate effective anti-corruption methodologies against Venezuela's corrupt landscape, broken down as follows:

⁵⁵¹ "Video de Leopoldo Desde La Cárcel de Ramo Verde," You Tube video, 3:40, posted by "Leopoldo López," May 23, 2015, <https://www.youtube.com/watch?v=IZ6TmAWoc3k>.

⁵⁵² "Chavez a los 10 Años de Aló Presidente Ojo Con la Corrupcion Dentro del Partido," You Tube video, 3:10, from Aló Presidente on 2009, posted by "Raul Parra," February 9, 2016, <https://www.youtube.com/watch?v=FdmgaflLA-o>.

⁵⁵³ David Gagne, "Venezuela Considered LatAm's Most Corrupt: Report," Insight Crime, accessed July 21, 2016, <http://www.insightcrime.com/news-briefs/venezuela-considered-latam-s-most-corrupt-report>.

1. Chávismo populist policies incorporated neo-patrimonial and weak governance practices that removed transparency and accountability mechanisms.
2. Cháveznomics economic policies mismanaged oil rents through patrimonial and clientelist networks that further the state's dependence on oil under the security of a high oil windfall umbrella.
3. An analysis of Venezuela's societal elements of culture, political will, and international integration, along with anti-corruption theories determined that state-center anti-corruption methodology provides the most feasible anti-corruption strategy.
4. Venezuela's anti-corruption plan might incorporate a three-prong approach that focuses key reforms in economic, political, and social accountability arenas in order to build political will and civil engagement for a state center anti-corruption strategy.

The first two findings center analysis on the reasons why corruption rose within 2000–2014 from two of Chávez's main policies: Chávismo and Cháveznomics. Those policies incorporated socialist strategies within a populist government, which resulted in patrimonial networks and weakening of transparency and accountability. The last two findings link anti-corruption theory and Venezuela's societal elements in order to recommend policies to curb corruption's rise.

Chapter VI synthesizes the key findings while also providing future research suggestions for the study of corruption in populist governments. The focus specifically centers on the causes of the rise in the perception of corruption during the height of Hugo Chávez's presidency (2000–2014) through policy analysis of Chávismo and Cháveznomics. Also, the thesis reviews anti-corruption methodology and Venezuela's societal elements by arguing the reason for using state center anti-corruption strategies. This chapter compares proposed policy recommendations with Mexican and Brazilian anti-corruption policy examples to find strength in their validity for Venezuela. Finally, Chapter VI provides opportunities for future research on populist governments anti-corruption methodologies.

A. FIRST FINDING: WEAK GOVERNANCE THROUGH CHÁVISMO POLICIES

Venezuela's Chávismo policies incorporate populist and neo-patrimonial systems that rely on gaining favor among specific segments of society at the expense of transparency and accountability. While weak governance is not new for Venezuela, the incorporation of Hugo Chávez's form of governance proved detrimental. According to the World Bank's Worldwide Governance Indicators (WGI), Venezuela showed a decline of governance over the inception of the Chávismo political model in five governance indicators. For example, figure 4 shows Venezuela's decline in governance within the World Bank's WGI rankings from the year Chávez entered office in 1998 until 2014. According to the World Banks' methodology, the higher the percentage signifies stronger governance. By 2014, the indicators show a decline in their percentile rankings, especially in government effectiveness, regulatory quality, rule of law, and control of corruption indicators. Weak Governance appears as a by-product of Chávez's new form of government through key institutional practices.

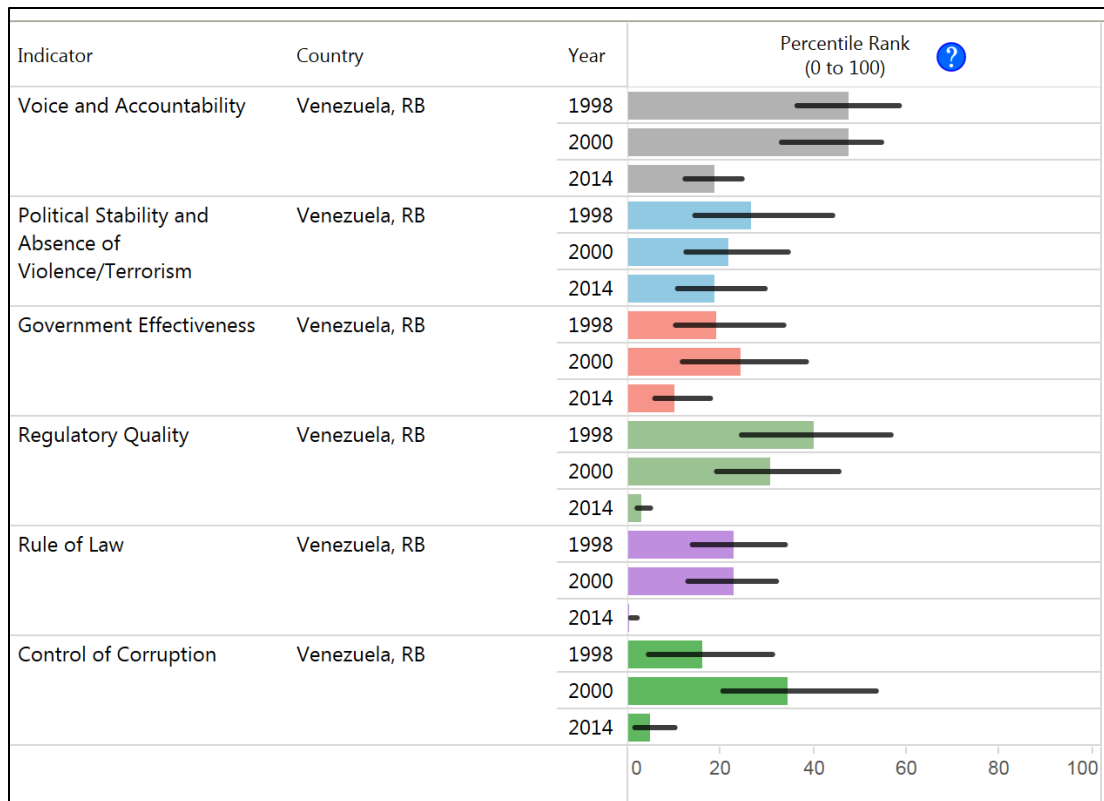


Figure 4. 1998-2014 World Governance Indicator for Venezuela, RB⁵⁵⁴

During this 14-year period that the thesis highlights, Chávez implemented populist policies to include: redistribution of wealth through social programs, reduction of corruption through polarizing rhetoric, and centralization of power at the executive. One of the main policy drivers, concentrated power to President Chávez, involved removing external accountability and transparency mechanisms within key institutions. Chávez also placed key government loyalists, or Chavistas, in lucrative positions within the Chávismo political machine to ensure loyalty through neo-patrimonial systems. These neo-patrimonial systems operated through individuals being rewarded for their loyalty through various incentives. These incentives included social development projects and beneficial positions within the military and government ministries, allowing Chávez and his pseudo political party, *Partido Socialista Unido de Venezuela* (PSUV), to remain in power.

⁵⁵⁴ Source: "Venezuela, RB World Governance Indicator," World Bank, accessed August 12, 2016, <http://data.worldbank.org/country/venezuela-rb>.

Corruption provides the catalyst for populist political machines to gain traction, which was the case with the previous political system, Pacto de Punto Fijo and the incorporation of Chávismo. The corrupt practices, consequently, originated between two major parties, AD and COPEI, to ensure that power and oil rents remained among them. Venezuela's economic struggles during Punto Fijo made their once accepted corrupt practices unacceptable. Jennifer McCoy and Leslie Gates both argue that corrupt practices maintain stability.⁵⁵⁵ The stability, however, was not enough for the Venezuelan citizen to support under the economic crisis. In 1989, Venezuela's economy experienced average consumer price inflation of 84.63%,⁵⁵⁶ because of previous years drop in oil prices by 67%.⁵⁵⁷ Citizen's riots attack the government's total incompetence to deal with the economy and ramped corruption. These sentiments primed the state for a populist form of governance. Thus, Hugo Chávez capitalized on these sentiments and won the presidential election in 1998.

Populism was the tool that Chávez utilized to win the presidency and cement Chávismo corrupt practices within the political system. The elements of populism used involved centralizing control of executive and polarizing rhetoric. Consolidating power to the executive was the argument populist leaders claim would eradicate corruption and redistribute wealth to the poor. This policy further deteriorated governance while institutionalized clientelist networks. The polarizing rhetoric was another tool used to create divisions between the ruling class and the poor, with the image of corrupt politicians diverting oil rents from the poor to fill their own pockets.⁵⁵⁸ The rhetoric later evolved toward creating the image that any new opposition would remove all government

⁵⁵⁵ Leslie Gates, "The Politics of Corruption in Venezuela," 3, accessed January 19, 2016, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.551.6879&rep=rep1&type=pdf>; Jennifer McCoy, "The Demise of a Regime: The Transition from Punto Fijo to the Fifth Republic in Venezuela," (Presentation Document, Miami, LASA Congress, March 15, 2000), <http://lasa.international.pitt.edu/Lasa2000/McCoy.PDF>.

⁵⁵⁶ International Monetary Fund, "Venezuela Inflation Rate (Consumer Prices)," Indexmundi, April 2015, [http://www.indexmundi.com/venezuela/inflation_rate_\(consumer_prices\).html](http://www.indexmundi.com/venezuela/inflation_rate_(consumer_prices).html).

⁵⁵⁷ Russell Gold, "Back to the Future? Oil Replays 1980s Bust," *Wall Street Journal*, January 14, 2015, sec. Business, <http://www.wsj.com/articles/back-to-the-future-oil-replays-1980s-bust-1421196361>.

⁵⁵⁸ *The Hugo Chavez Show*, directed by Ofra Bikel, (Boston, MS: PBS Frontline, 2008), <http://www.pbs.org/wgbh/pages/frontline/hugochavez/view/>.

aid apparatus. As a result, Chávismo political model, rather than remove the practice of corruption, instead weaken institutions and incorporated systematic corrupt practices to encompass more members of society.

B. SECOND FINDING: CHÁVEZNOMICS POLICIES OVER OIL OVER-DEPENDENCE

Oil over-dependence dogma, under the protection of high oil prices, was the second contributing factor as to why Venezuela's corruption rose. Venezuela has the largest known oil reserves in the world⁵⁵⁹ and, along with its high profitability, encourages the state's dependence on rents to fuel their patronage networks. Chávez's economic model, Chávonomics, entailed redistributing oil rents to the citizens. Redistribution procedures manifested into robust social development projects, with the goal to create a socialist society of communes and state controlled industries. Unfortunately, the neo-patrimonial networks in communes and state controlled industries incorporated corrupt practices where Chavistas gain benefit at the expense of the state. For example, black markets started to surface that exacerbated food shortages and inflation throughout the state where the middle and upper classes benefited at the expense of the poor.⁵⁶⁰ When oil prices were at its highest, Venezuela benefited from the influx of oil revenues that shielded the corrupt practices. The policies were only possible and lauded as successful when the price of oil was high; however, once the price dropped, Chávez's admirable aspirations proved a curse for Venezuela's economy.

Venezuela's economic situation closely resembles the potential situations described by the Resource Curse theory. The theory describes how governments with a rich resource create a "dependent, inflated economy that leads to conflict, corruption, and poverty."⁵⁶¹ The theory hinges on the idea of a state relying exclusively on the resource at the detriment of other industries (Dutch Disease) and uses resource rents to fund their

⁵⁵⁹ "Top 10 Countries with the World's Biggest Oil Reserves," *Global Europe Anticipation Bulletin*, accessed June 1, 2016, <http://geab.eu/en/top-10-countries-with-the-worlds-biggest-oil-reserves/>.

⁵⁶⁰ "Venezuela's Economic Crisis Explained," YouTube video, 11:15, posted by "Caspian Report," March 13, 2014, <https://www.youtube.com/watch?v=OrfM5UD-Azk>.

⁵⁶¹ Huber, "The Resource Curse."

own prerogatives (Rentier State). Dutch Disease and Rentier State are two outcomes that manifested in Venezuela's economic situation due to the mismanagement of Cháveznomics. The rich oil price umbrella that Chávez operated under allowed corrupt operations to function unopposed and exaggerated Rentier State outcomes, such as patronage networks.

A main Cháveznomics policy consists of presidential control of the economy. The control allows for the manipulation of economic institutions and industries like state oil company, Petróleos de Venezuela S.A. (PDVSA). These state industries oversight was removed from other branches of government, allowing the president to use them as presidential piggy banks. From 2005 to 2009, 90% of PDVSA's oil revenues went toward social programs and a windfall management mechanism, National Development Fund (FONDEN).⁵⁶² While FONDEN was meant to act as a safety net for the state in case of oil market busts, it was also directly managed by the president. As a result, PDVSA lost control to remain competitive,⁵⁶³ while Chávez was able to use oil rents to serve his prerogatives.

Chávez economic controls also involved the manipulations of PDVSA's top executives. In 2002 and 2003, PDVSA technocrats revolted against Cháveznomics policies, resulting into a coup attempt and PDVSA strikes.⁵⁶⁴ The coup ended in a failure to remove Chávez from power, demolished production levels that have yet to recover, and radicalized socialist objectives.⁵⁶⁵ Chávez reacted to these confrontations with the replacement of PDVSA executives with Chavistas, whose only credentials were their loyalty to the government, with Francisco Rodríguez describing the actions as resulting in

⁵⁶² Osmel Manzano and Jose Sebastian Scrofina, "Resource Revenue Management in Venezuela: A Consumption-Based Poverty Reduction Strategy," (New York: Natural Resource Governance Institute, 2012), 10, http://www.resourcegovernance.org/sites/default/files/Venezuela_Final.pdf.

⁵⁶³ Sam Fletcher, "Special Report: Pemex, PDVSA, Petrobras: How Strategies, Results Differ," *Oil & Gas Journal*, August 3, 2009, http://www.ogj.com/articles/print/volume-107/issue-29/General_Interest/special-report-pemex-pdvsa-petrobras-how-strategies-results-differ.html.

⁵⁶⁴ Robert Looney, "Chavistanomics," *The Milken Review*, 2007, 11, <http://calhoun.nps.edu/handle/10945/40675>.

⁵⁶⁵ Francisco Rodríguez, "An Empty Revolution," *Foreign Affairs* 87, no. 2, (January 28, 2009): 60, <https://www.foreignaffairs.com/articles/venezuela/2008-03-02/empty-revolution>; Kirk Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, (New York, NY: Cambridge University Press, 2010) 21.

the deterioration of PDVSA technical base, which affected their production capacity.⁵⁶⁶ The fragile position of their economic stronghold along with the state's overreliance on its revenue led Venezuela down a precarious and unsustainable situation.

The centralized presidential control of the economy has also removed the ability of accountability agencies to ensure transparency and responsibility of public funds among state institutions. Institutions like Venezuela's misiones operate under opaque and secret processes. For example, Kirk Hawkins describes how the misiones are controlled directly by the president, removing any third-party oversight.⁵⁶⁷ As a result, the government's secret operations⁵⁶⁸ allow those programs to be used as pro-government tools rather than substantial social development. Currently, the state lacks documentation showing the amounts of funds taken from PDVSA's coffers to fund the president's programs.⁵⁶⁹ Despite those attributes, the government lauded successes in reductions of poverty and exposure to education and health care to the poorest segments of society.⁵⁷⁰ Nevertheless, the lack of long-term goals to elevate the poor gives little or no sense of relief in Venezuelans citizens.

C. THIRD FINDING: STATE-CENTER ANTI-CORRUPTION METHODOLOGY

In order for states to diminish corruption, the people can incorporate appropriate anti-corruption policies within their governmental structures. Scholars divide anti-corruption methodology into four theoretical approaches: universalistic, state-center, society-centric, and critical school. These schools are distinguished by how they approach the main drivers of anti-corruption policies: domestic leaders, civil society, international organizations, or power institutions.⁵⁷¹ Chapter IV examined anti-corruption theoretical approaches and weighed the potential benefits from those approaches together

⁵⁶⁶ Ibid.

⁵⁶⁷ Hawkins, *Venezuela's Chavismo and Populism in Comparative Perspective*, 210.

⁵⁶⁸ Ibid.

⁵⁶⁹ Ellsworth and Chinae, "Chávez's Oil-Fed Fund."

⁵⁷⁰ Rodríguez "An Empty Revolution," 53.

⁵⁷¹ Michael, "Explaining Organizational Change in International Development," 1080.

with the corrupt practices that currently exist in Venezuela so as to suggest a specific, concrete, effective anti-corruption policy.

This thesis recommends a state-center approach for Venezuela, which would allow decision-makers the ability to incorporate informal institutions in preventing corruption. Universalistic, society-centric, and critical school anti-corruption strategies would not function, as effectively in Venezuela, mostly due to the country's apprehension regarding international integration, weak political will, and current lack of social accountability mechanisms. The state-center methodology allows for state leaders to incorporate elements of the political system and direct participation in order to involve civil society in effective anti-corruption strategies.

As demonstrated in Chapter IV, effective anti-corruption methodology involves understanding the societal factors that would shape decision makers, specifically: culture, political will, and international integration. The cultural considerations, according to Geertz Hofstede's cultural dimensions, illustrate Venezuela as a masculine, collectivist, high power distance and high uncertainty avoidance society.⁵⁷² Considering that Venezuela shares both types of corruption (principal-agent and collective-action), state-center strategies would permit decision-makers the latitude to tackle corruption on an individual level, focusing on state actors as well as the institutional frameworks that facilitated corruption in the first place.

D. FOURTH FINDING: VENEZUELA'S STATE CENTER ANTI-CORRUPTION PLAN

Considering the theoretical implications of anti-corruption along with Venezuela's societal factors allows for a depth understanding of effective anti-corruption solutions. Chapter V presented possible reforms and anti-corruption solutions under three societal categories: economic, political, and social accountability. The main objective of these possible solutions targets key Chávismo and Cháveznomics policies in order to root out corruption from its fundamental causes: weak governance and oil over-dependence.

⁵⁷² Venezuela, *Geert Hofstede*, accessed July 18, 2016, <https://geert-hofstede.com/venezuela.html>.

The large interwoven patronage and clientelist networks that resulted from Hugo Chávez's policies necessitates a three-prong, state-center anti-corruption solution.

The goal of Venezuela's strategy involves incorporating a market-friendly social democratic system, reducing patronage networks, limiting presidential control, and rebuilding political will and citizen engagement. Since the current Chávismo policies did not allow for opposition toward the government, the thesis's recommended reforms target key elements of the political, economic, and social accountability mechanisms so as to increase transparency and accountability. To interject accountability, for example, a possible policy reform involves lessening presidential control of institutions by returning oversight to the National Assembly or a third party institution. Oversight mechanisms can remove the potential of patronage networks from the president down to Chavistas, as well as boost citizen's trust in the system.

Since political will and citizen engagement were modified by patronage networks in order for Chávez to maintain control at the expense of transparency and accountability, reforms should rebuild transparency and accountability mechanisms. As a result, reforms would involve policies to reestablish the confidence and security in order empower citizens to hold their government accountable. Key institutions, like the judiciary and police, require reforms to boost their ability to serve the interests of the citizen as well as create new laws protecting whistleblowers. A recommendation in this category is the creation of an anti-corruption tribunal in order to investigate, prosecute, convict, and monitor corruption practices. This tribunal requires independence from the president in order to work effectively against any corrupt individual or institution.

Venezuela's decision-makers can rely on the examples of Mexico and Brazil, in order to gain perspective on anti-corruption reforms. Both Mexico and Brazil share a similar situation with Venezuela in terms of its political and economic outlooks, like state owned industries and cultural similarities. This thesis compared possible anti-corruption reforms against Mexican and Brazilian attempted anti-corruption reforms. For example, Mexico and Brazil implemented the following market-friendly economic models: "consolidated market reforms, targeted social development, and obedience to democratic

norms and procedures.”⁵⁷³ Brazil specifically used market-friendly reform through implementation of social development projects like *Bolsa Familia* that incorporated longer-term outcomes, like increasing human capital.⁵⁷⁴ Mexico also conducted reforms that involved privatization of state monopolies, pointed social spending to replace political patronage, and diversification of their economy.⁵⁷⁵ Considering the shared history among all three countries, Venezuela decision-makers can rely on Brazilian and Mexican examples to avoid reinventing possible anti-corruption solutions.

E. FUTURE RESEARCH

Three main ideas that corruption and anti-corruption research could focus on are populist leftist governance and corruption, difference between citizens versus international community’s perceptions of corruption, and state-specific anti-corruption methods. Corruption research takes a different significance in Latin America than in the past, since the demand for justice from the public influences political decision makers to act more than before. Brian Winter said in a forum over Latin America corruption, there are a change in citizen’s interest towards intolerance for corruption and a “huge hunger in resolving it.”⁵⁷⁶ Corruption requires a more specialized state study versus a general global topic that can have a simplified one-size-fits-all approach.

The first research topic involves populist governments and corruption. While there is growing research in the trend of Latin American states going toward leftist populist governments in the late 1990s, the study of those governments and corruption remains limited. For Venezuela, there is limited research in the policies of Hugo Chávez and corrupt practices. Considering the impact of Hugo Chávez and the “Pink Tide” of leftist populist polities in the region serves as justification for more in depth exploration of corruption within these types of political regimes. Yet there seems to be little to find

⁵⁷³ Brands, “The Populist Revival, the Emergence of the Center, and U.S. Policy in Latin America.”

⁵⁷⁴ Ibid.

⁵⁷⁵ Ibid.

⁵⁷⁶ Sergio Romani et al., “Tackling Corruption” (Session, World Economic Forum on Latin America, Medellin, Colombia, June 16, 2016), <https://www.weforum.org/events/world-economic-forum-on-latin-america-2016/player?p=1&pi=1&id=77641>.

corruption exportation within other populist governments. Thus, the research can provide a glimpse on how corruption manifests in Latin American 21st century populist governments.

The second possible future research avenue would involve the difference in perception between the citizens and the international community. For example, Gregory Wilpert argues how Venezuela's score from Latinobarometro and Transparency International's Global Corruption Barometer show corruption less of an issue versus the Corruption Perception Index.⁵⁷⁷ There is limited research on the reason for the disparity. The potential question here is what level of tolerance does citizens have with corrupt practices? Or even, what do citizens consider corrupt? The research could assist decision-makers in the creation of anti-corruption mechanism that would be acceptable to citizens and tackle the root issues of the state.

Finally, the third research focus centers on more state-specific tailored anti-corruption strategies. The state specific emphasis requires tools to accomplish analysis of societal elements involved in tackling corruption. This research would also question previous attempts at anti-corruption through international organizations. International organizations employed a one-size-fits-all strategy in order to export anti-corruption tool-kits throughout the world. The issue with generalized global strategies assumes corruption manifests in the same way throughout the world, with little emphasis paid on the individual countries. Analysis of how countries approach corruption is also relevant, but cannot exclude their political and societal culture. For example, impunity is a major element of anti-corruption policies in specific parts of Latin America that does not hold the same significance in Venezuela. Guatemala serves as an example of a country whose anti-corruption focuses on fighting impunity because of laws that protect political leaders from certain levels of prosecution.⁵⁷⁸ Anti-corruption analysis should involve specific societal implementations that allows for modifications of anti-corruption strategies.

⁵⁷⁷ Gregory Wilpert, "Corruption in Venezuela," News, Venezuelanalysis (September 27, 2007), <http://venezuelanalysis.com/analysis/2654>.

⁵⁷⁸ Michael Lohmuller, "Guatemala AG Seeks End of Law Facilitating Official Impunity," Insight Crime, accessed August 25, 2016, <http://www.insightcrime.org/news-briefs/guatemala-ag-seeks-end-of-law-facilitating-official-impunity>.

The three potential avenues for future research allow corruption to gain a more tailored focus rather than a generality. The idea of providing a one-size-fits-all method to deal with the issue removes the details of the issue within a society that make it unique against another state. One-size-fits-all solutions also assume that every state has the same elements of corruption within its societies. As a result, there can manifest a lack of state emphasis on the issue of corruption and it become more of a problem tackled by NGOs or international organizations, whose motivations may be question and lack public support. Also, the results of these organizations will be less effective. There inefficiencies could result from their need to gain coalition among the state for political or economic backing or even gain public support, versus initiatives supported and pushed by state elites. Finally, generalized anti-corruption methods can omit how citizens and past practices factor into the development of anti-corruption methodologies. This thesis analysis of Venezuela can serve as the beta for study of corruption and creating anti-corruption solutions in a similar fashion to how their populist approach in 1998 sparked the turn toward leftist populist governments in the region.

My research regarding Hugo Chávez's influence on Venezuela showed that Chávismo policies ultimately proved to be a populist, neo-patrimonial system, weakening governance through presidential control, creating a debilitating dependence on oil rents, and therefore increasing opportunities for corruption. I recommend a state center anti-corruption strategy focused on the Venezuelan government implementing market-friendly social democratic reforms in order to reduce presidential control, rebuild political will, and strengthen civil engagement. As Venezuela's history shows, a state-center anti-corruption strategy would be optimal for reducing corruption and rehabilitating Venezuela's government.

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