

Venezuelan Saga

BY STEVEN T. KARGMAN

A review of Things Are Never So Bad That They Can't Get Worse: Inside the Collapse of Venezuela by William Neuman, St. Martin's Press, 2022.

enezuela has undergone a truly spectacular and heartbreaking collapse in the last several years. Its economy has experienced the largest peacetime contraction in recent history, and its population has been subjected to untold misery. Venezuela suffers from an extraordinarily high poverty rate, widespread malnutrition and food insecurity, the spread of otherwise preventable diseases, and acute shortages of medicines. In the face of this disaster, millions of citizens have fled Venezuela and sought refuge in other countries.

How could a country so richly endowed with natural resources—reputed to have the largest oil reserves in the world and once considered the wealthiest country in all of Latin America—have fallen into such dysfunction in just a few years?

In his new book, former *New York Times* correspondent William Neuman explores how Venezuela devolved into its current grim state of affairs. While Neuman discusses the pertinent issues from a macro perspective, he grounds his narrative in real-life, on-the-ground observations. His background as a seasoned journalist shines through in the interviews he has conducted with a broad range of actors in Venezuela and the United States, as well as in the telling details he captures of everyday Venezuelan life.

Neuman follows the lives of several ordinary people whose stories vividly illustrate the hardships Venezuelans now face. Venezuelan families struggle to put even a single daily meal on the table, to reach a hospital in an emergency, or to make a living when jobs disappear overnight or when workers' wages are paid in the nearly worthless local currency.

Neuman ventures into Venezuela's crime-ridden barrios as well as the dangerous, and lawless, jungle where criminal syndicates control the territory and run major illegal gold mining operations.

In Neuman's account, a range of factors have contributed to Venezuela's current abysmal state. The country's dramatic collapse built over a period of several decades, even prior Hugo Chavez coming to power as Venezuela's president in 1999. Neuman shows how the governments of Chavez and his successor,

Nicolás Maduro, brought the underlying problems facing Venezuela to a crisis point. Obviously, the central

A compelling and vividly drawn account.

role of oil in Venezuela's economy has given rise to the so-called "resource curse" or "Dutch Disease" that has afflicted other oil-producing countries. Neuman examines how Venezuela's excessive reliance on oil, even preceding Chávez, has completely distorted the economy so that oil has become its only remaining major economic sector.

Neuman explains how oil has warped—and corrupted—the political economy of Venezuela so that it has become essentially a *rentier* state. The state essentially exists to collect oil revenues from its oil industry, dominated by state-owned PDVSA, and then redistribute those

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revenues to well-connected economic players and to the people in the form of social welfare programs. Neuman argues that this leads to a dependency mentality— Venezuelans expect the government to take care of most of their needs—but it also creates a group of economic actors whose sole *raison d'être* is to grab their piece of the pie from the Venezuelan petrostate.

In explaining the political landscape in Venezuela, Neuman offers an incisive discussion of the phenomenon of Chavismo and how it has shaped and dominated Venezuelan politics since 1999 when Chávez first came to power. Neuman considers Chávez to have been more of a populist, skilled in pitting the masses against the elites, than a tried-and-true socialist, despite Chávez's claim to have been responsible for ushering in "twenty-first centu-

Chávez's government's investments in infrastructure were often Potemkin villagetype projects.

ry socialism" as part of his much-touted "Bolivarian Revolution."

Neuman asserts that Chavez was not particularly ideological, but rather, "Chavez's ideology was Chavismo, which is another

way of saying that he was the boss and he would make the decisions." The point of holding power for Chavez "wasn't using that power to improve the lives or make the country better in a lasting way" but instead it was to do anything that would help him stay in power.

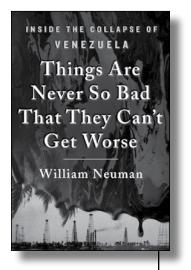
Nonetheless, Chávez's policies were a perfect recipe for the gross mismanagement of the Venezuelan economy, including widespread nationalizations of private companies which ultimately ended in the failure of so many of these companies, and unsustainable amounts of government debt.

Neuman indicates that while Maduro has largely continued the Chavismo policies of Chávez, he has been more ruthless and brutally repressive in his exercise of power. Neuman provides chilling accounts of the kidnappings, torture, and killings carried out by Maduro's security forces.

Neuman notes that Chávez had a certain charisma that redounded to his political benefit (which Maduro sorely lacks), but he wryly observes that Chávez's image was no doubt helped by the sky-high price of oil during his reign, when hundreds of billions of petrodollars flowed into Venezuela's coffers.

His government's investments in infrastructure, however, were often Potemkin village-type projects. Despite the significant political fanfare to which the projects were unveiled, a significant number were never completed.

Eight separate chapters in the book are entitled simply "Blackout," referring to the series of crippling nationwide electricity outages that began in recent years. These blackouts and the failing electrical grid system behind them are emblematic of much that has ailed Venezuela under Chavismo rule, including rampant patronage at the state-owned power company, Corpoelec, that led to the replacement of competent and well-trained managers with politically connected individuals



lacking the needed skills to run the grid. A similar hollowing-out of critical talent occurred at Venezuela's cash cow, the state-owned oil company PDVSA, in the early 2000s.

On the political front, Neuman underlines the weakness of the opposition that until recently was led by Juan Guaidó. Despite dozens of largely Western governments recognizing Guaidó, then the president of Venezuela's national assembly, as the rightful leader, his political support among the different factions of the opposition forces was fragile from the very start.

Neuman faults Guaidó with having pursued showy but ultimately ineffectual demonstrations of opposition, such as a thwarted humanitarian relief effort in February 2019 as well as a failed and hapless coup attempt against the Maduro regime in late April 2019.

Nonetheless, Neuman is equally critical of the Trump administration for aligning itself so closely to Guaidó and for its ultimately failed "maximum pressure" campaign. Maduro has remained firmly in control and today is in an arguably even stronger position than he was prior to the start of the "maximum pressure" campaign. Neuman suggests that the Trump administration's policy appeared to be driven by domestic political considerations, including the desire to keep Florida in the Republican column electorally and to put further pressure on Cuba.

This compelling and vividly drawn account will be of considerable value to the general reader as well as to policymakers and current and potential investors in Venezuelan businesses and sovereign debt who wish to have an in-depth understanding of the Venezuelan situation. Such readers should come away with an appreciation of the deeply entrenched position of the Maduro regime and the huge challenges that would confront any more democratically inclined, post-Maduro regime.