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EXPLAINING CHÁVEZ'S ELECTION

WE CANNOT understand why Chávez won the 1998 presidential election in Venezuela without appreciating the factors that created an opening for candidates who, like Chávez, campaigned as political outsiders. Indeed, most scholars explaining the results of that year's presidential election focused on this issue. They have focused, that is, on why Venezuelans lost confidence in their two-party political establishment. Their explanations for the growing disillusionment with the political establishment can be grouped into three main theses: (1) the corruption thesis, (2) the failed institutions thesis, and (3) the social polarization thesis. Each thesis sheds light on why Venezuelans elected Chávez because each identifies factors that explain why Venezuelans voted against the political establishment.

Nonetheless, each thesis is also limited in its ability to explain why Venezuelans chose Chávez over other candidates who campaigned as political outsiders. None

can fully answer this crucial question because none address how Chávez overcame a formidable obstacle: business opposition. Business opposition should have made it more difficult for Chávez both to win voter support and to obtain assistance from members of Venezuela's business elite. In short, business opposition made it unlikely that Chávez, an anti-neoliberal candidate, would win. But prior research has not addressed how Chávez overcame business opposition to win either voter support or assistance from some members of Venezuela's business elite. As a result, prior scholarship can not fully explain why Chávez defeated similar candidates. I propose an alternative argument that addresses both puzzles posed by Chávez's victory despite business opposition: the voter puzzle and the business assistance puzzle.

Contributions and Limits of Prior Research on Chávez's Election

To explain why Chávez won the presidential election in 1998, scholars most often cite one of the three main theses on why Venezuelans became disillusioned with what had seemed to be the region's model democracy. In short, these scholars sought first and foremost to explain why Venezuelans lost confidence in their political establishment—its leaders and its main organizations. Scholars have shown that widespread corruption, rigid political institutions, and neoliberal economic reforms eroded the public's confidence in Venezuela's political establishment prior to 1998. Such research helps us understand why there was a political opening in 1998 for candidates who disassociated themselves from Venezuela's traditional political leadership and its organizations. These scholars have thus attributed Chávez's victory to growing intolerance of corruption, rising frustration with Venezuela's failed political institutions, and mounting disillusionment with the neoliberal reforms introduced during the 1990s. Nevertheless, each of these theses is limited in its ability to fully explain why it was Chávez who emerged as the victor.

The Corruption Thesis

Many observers believe that the public's confidence in Venezuela's political establishment declined significantly and that public sympathy for political can-

didates not affiliated with the dominant political parties thus increased, “primarily because of the widespread perception of corruption” (Navarro 1994, 8). This view permeated Venezuela’s media (Golden 1992; Olmos 1992b) and was advanced by pundits (“Impatience” 1992) and scholars alike throughout the 1990s (Constable 1992; Little 1996; Subero 2004). It is a view so widely held that it “constitutes the common sense explanation of the paradox” of the public’s disillusionment with what was once Latin America’s most celebrated democracy (Navarro 1994, 8).¹ There is ample evidence to support this argument, which I refer to as the corruption thesis.

First, experts on corruption have corroborated the premise of the thesis that corruption plagued Venezuela’s two-party political establishment. Although there are no direct measures of the level of experience Venezuelans had with corruption before the 1998 election, there are some earlier measures based on expert opinion. For example, the international nongovernmental organization Transparency International compiles data derived from expert opinion on corruption around the world in its Corruption Perception Index (CPI). It began to assess the level of corruption in Venezuela in 1980. Out of 149 countries ranked by Transparency International’s CPI between the years 1980 and 1985, Venezuela was only the 138th most transparent.² This position in the international ranking of corruption shows that most other countries in the survey were deemed less corrupt than Venezuela. Since then, Venezuela’s CPI score and its related international ranking in perceived level of corruption has worsened.³ By the mid-1990s, the percentage of nations rated “less corrupt” than Venezuela increased from 79 to 93 percent.⁴

Second, polls have affirmed the reasoning behind the corruption thesis. They reveal that the public perception of corruption as rampant went hand in hand with declining confidence in the political establishment. Although the public’s confidence in the political establishment began to deteriorate in the 1970s (Baloyra 1986), it was not until the 1980s that “the government was not only seen as inefficient . . . [but] was also believed to be corrupt” (Templeton 1995, 90).⁵ The turning point in the public’s perceptions of corruption and support for Venezuela’s political establishment seems to be 1983, which was the year of the first major currency devaluation.⁶ Then, in 1989, the same year that Venezuelans participated in the region’s most widespread protests of neoliberal reforms, corruption became “more than a single issue . . . [it] became a catch-all means of interpreting a wide range of problems, especially the economic cri-

sis" (Romero 1997, 20). By 1992, Venezuelans viewed corruption as their country's number-one problem (Mine 1992; "Venezuela: Ex-president" 1992), and they supported drastic actions to attack corruption. Polls revealed broad support for junior military officers, including Chávez, who twice attempted to take over Venezuela's presidential palace in 1992 (on February 4 and again on November 27) on the grounds that no other action would eradicate corruption (Constable 1992; Olmos 1992a, 1992b). Polls also documented the public's overwhelming sympathy in 1993 with the successful campaign to remove Venezuela's once-popular president because of a number of corruption allegations. By 1995, nearly all Venezuelans (94 percent) thought that there would be more resources for everyone in society if corruption were eliminated (Romero 1997, 21). Furthermore, polls confirmed that Venezuelans increasingly blamed corruption for myriad economic and political crises.⁷

Third, political trends immediately prior to 1998 confirmed that discontent with corruption had become an important factor in the political preferences of Venezuelans. By the late 1980s, politicians from nontraditional political parties had begun to win elections by campaigning on anti-corruption platforms. For example, third-party candidates who ran on anti-corruption platforms unexpectedly won three governorships in 1989 ("Fewer Than Half" 1989). A politician who vowed to rid the country of both corruption and the traditional two-party political system won the presidency in 1993. Although the candidate elected president in 1993 had been one of the founders of the two-party system, he sought to distance himself from the political establishment by decrying corruption, even within his own former party. Polls conducted just after the presidential elections in December 1993 confirm that corruption was one of two top issues for voters in that election (Romero 1997, 22).

The apparent rise in corruption, the mounting public outrage at corruption, and the political events in the 1990s linked to this outrage together represent compelling evidence in support of the corruption thesis. Clearly, as posited by the corruption thesis, the public's growing preoccupation with corruption eroded public support for Venezuela's two-party political establishment. Corruption was, therefore, a critical factor in Chávez's electoral victory in 1998.

Nevertheless, the corruption thesis is limited in its ability to explain why Venezuelans chose Chávez in particular. According to the corruption thesis, Chávez garnered support from those who were principally concerned with rampant corruption within Venezuela's political establishment. The corruption

thesis implies, then, that Venezuelans supported Chávez because they believed he would be the one most likely to address corruption. However, it is not obvious why the public would believe this, given that all of the leading candidates promised to rid the country of corruption and claimed to be political outsiders (Molina 2002, 231). Moreover, it is not obvious why the public would prefer the one anti-corruption candidate whom business opposed. As stated previously, business opposition should have made Venezuelans less likely to favor Chávez's anti-neoliberal candidacy.

The corruption thesis, however, represents just one of the three main arguments for why Venezuelans became disillusioned with their political establishment. After Venezuela's presidential election in 1998, a flurry of scholarship sought to go beyond the corruption thesis to explain the "unraveling of representative democracy" (McCoy and Myers 2004b) or "Venezuela's political difficulties" (Ellner 2003, 18) and, by extension, voter support for Chávez. Much of this scholarship coalesced around a common narrative that I refer to as the failed institutions thesis.⁸

The Failed Institutions Thesis

The failed institutions thesis posits that the public's confidence in Venezuela's political establishment (both its leaders and its organizations) declined principally because vast swaths of Venezuelan society felt excluded from the political process.⁹ According to this view, Chávez's victory was a by-product of the voters' generalized frustration with the political establishment. This view is exemplified in the scholarship of Julia Buxton, who wrote that Chávez's victory "should more rightly be viewed as a rejection of the old system rather than a positive endorsement of the new Bolivarian vision" (Buxton 2001, 2). Similarly, Jennifer McCoy sums up the collective take of her coauthors, stating that Venezuelans "viewed their leaders as increasingly unresponsive and isolated. They looked elsewhere for leadership, and with the election of . . . Chávez . . . they sealed their rejection of Punto Fijo [Venezuela's two-party] representative democracy" (McCoy 2004, 263).

For scholars contributing to the failed institutions thesis, the public's preoccupation with corruption undoubtedly contributed, although it cannot fully explain the public's disillusionment with Venezuela's two-party political establishment. Such scholars therefore incorporate the corruption thesis in various ways. Many assert that public perceptions of rampant corruption contributed

to the generally negative perception of the incumbent government and the traditional parties (Morgan 2007, 88). They then extend this view to explain why Venezuelans chose Chávez. For example, McCoy writes that Venezuelans, in selecting Chávez, “rejected all presidential candidates with ties to the traditional parties and voted for a leader who promised to eliminate the old parties, to end corruption, and to rewrite the constitutional rules to bring a new political and economic order to Venezuela”; they thus chose a leader who espoused “purging the country of what he saw as debilitating and pervasive corruption” (McCoy 1999, 66). Some scholars, though, explicitly share the premise of the corruption thesis, arguing that actual corruption contributed to general dissatisfaction with the political establishment (Buxton 2001, 30) or that “the instrumentalizations of inadequate policies, clientelism, and corruption” eroded party loyalty (Molina 2002, 244). Still others merely use the evidence amassed by corruption thesis scholars, such as the fact that Venezuelans increasingly viewed the two parties as “stifling and corrupting democracy” (Coppedge 1994b), as an indicator of the public’s disillusionment with the political establishment.

Regardless, the main thrust of these scholars’ research program has been to explain how the structure of Venezuela’s political institutions undermined the public’s support for the country’s political establishment overall. With extensive research, scholars demonstrate the various ways that Venezuela’s political institutions during the era of two-party dominance were overly rigid and exclusionary (Crisp 1996; McCoy and Myers 2004a, 7). These institutions, they show, created incentives for elected officials to value party loyalty over representation (Crisp 2000, 11) and to disregard their constituents (Buxton 2001, 222; Coppedge 1994b; Morgan 2005). These rigid political institutions, therefore, failed to provide adequate representation for a host of new political actors who emerged from major sociodemographic transformations in Venezuelan society during the 1980s and 1990s (Coppedge 1994a; Crisp 2000; Crisp and Levine 1998; Crisp, Levine, and Rey 1995). Specifically, they failed to represent societal interests (Morgan 2007), including the urban poor (Buxton 2001, 222; Buxton 2003; Canache 2004), intellectuals (Hillman 2004), an emergent civil society (Salamanca 2004), and junior military officers (Aguero 1995; Norden 1996; Trinkunas 2004).¹⁰ It is these failed institutions, then, that they contend led voters in 1998 to reject candidates in any way associated with Venezuela’s political establishment.

This scholarship helps us understand why Venezuelans so decisively rejected both parties and the ancillary political institutions that had anchored their stable democratic political system for nearly forty years. It details numerous ways

that these political institutions contributed to their own demise by failing to satisfy a growing number of new constituencies. Nonetheless, this perspective cannot fully explain why voters chose Chávez over other candidates in 1998. True, Chávez formed a new political organization to guide his presidential bid, which defined itself in name and form as distinct from Venezuela's political establishment. The name of his new group, the Movimiento Quinta República (MVR, or Movement for the Fifth Republic), implied that his presidency would usher in political change so dramatic that it would constitute a new republic. The form of this new entity, a movement rather than a political party, conveyed his disdain for the political parties that were so intimately associated with the political establishment. It is also true that Chávez promised to transform Venezuela's political institutions via a means that would bypass existing legislators. He called for a constituent assembly to compose a new constitution.

Nonetheless, Chávez was not the only one campaigning as a political outsider in 1998 (Molina 2002, 231). All the main contenders in the 1998 presidential race identified as political outsiders. The early front-runner of the presidential field, Irene Sáez, was like Chávez in that she did not have previous electoral experience. Sáez, a former beauty queen, formed her own self-named IRENE Party to launch her candidacy. Like Chávez, she campaigned on a platform against corruption and for political change. Chávez's other leading opponent, Henrique Salas Römer, was yet "another charismatic and independent leader" (Molina 2004, 170). By July 1998, Salas Römer was the presidential candidate with the best chance of defeating Chávez. At that point, polls projected Salas Römer would win 20 percent of the vote, compared to a projected 41 percent for Chávez (Buxton 2001, 200). Like Sáez and Chávez, Salas Römer had also formed a new party, Proyecto Venezuela, to launch his presidential bid. As a leading business consultant explained, "The 1998 elections were elections about political rupture . . . [since] the two principal candidates [Chávez and Salas Römer] were both anti-system" (Interview 46, 4).

Moreover, in many respects, Salas Römer should have been a more viable candidate than Chávez. After all, Salas Römer had already twice been elected governor of Carabobo, Venezuela's second most important industrial state, and he had campaigned both times as a political independent and anti-corruption crusader. Chávez, in contrast, was the son of provincial schoolteachers (Gott 2005, 25–27). He had ascended to the rank of lieutenant colonel in Venezuela's military before he led a failed coup attempt in 1992 against a democratically

elected president. He then spent two years in jail for his actions. Chávez's run for president in 1998 was his first foray into electoral politics.

Some speculate that Salas Römer only "presented an image of change" while Chávez "appeared as the more radical opposition alternative" (Molina 2002, 236) because Salas Römer accepted endorsements by the two traditional political parties right before the election (Molina 2002, 235). But Chávez's status as a political outsider was not unequivocal either. He accepted the official endorsement of parties that had participated in Venezuela's democratic system previously, although these were on the political Left, such as the Venezuelan Communist Party (PCV) and the Movement for Socialism (MAS). A former leader of MAS had even been a prominent member of the presidential cabinet in the then very unpopular outgoing government of Rafael Caldera. Furthermore, prominent political leaders who had been elected officials were active in key positions in Chávez's MVR.¹¹ Thus, some have argued that Salas Römer's so-called "'crisis of association' was equally applicable to Hugo Chávez" (Buxton 2001, 209).

Additionally, it is not clear that the last-minute endorsements accepted by Chávez's leading opponent actually hurt him (Christiansen 2000). Salas Römer reluctantly accepted the endorsement of the two traditional parties on November 30, two weeks before the election. But polls show that Salas Römer's projected vote tally went up from 26 percent on November 25 to 30 percent on the day after the endorsement, December 1. In the end, Salas Römer received an even greater share of the vote than projected before the endorsement, winning 40 percent (Buxton 2001, 207). Even if the endorsements cost Salas Römer some votes, they cannot fully explain why Chávez held and sustained a commanding lead over Salas Römer long before the two traditional parties endorsed Salas Römer (Koenek R. 2000; Maingón 1999).

Thus, from a "failed institutions" perspective, it is not obvious why Chávez would have emerged as the decisive victor from this crowded field of political outsiders who similarly campaigned against corruption. While his promise to call for a constituent assembly no doubt appealed to those frustrated with the existing political establishment (Buxton 2003, 124), we must still understand why voters trusted Chávez more than others to carry out this political reform. In particular, we must explain why they believed that the anti-establishment candidate with powerful detractors in the business community would be able to carry out this plan. After all, we would expect such opposition to make voters

fearful that his election would jolt the country into a downward spiral of economic and political chaos. I concur with others who urge us to more “carefully examine the sources of popular frustration” (Ellner 2003, 20) in order to determine why Chávez, in particular, emerged victorious in 1998. In an effort to do so, critics of the failed institutions thesis have developed the social polarization thesis.

The Social Polarization Thesis

The social polarization thesis, like the other two theses, examines why the public became so frustrated with Venezuela’s political establishment. It contends that the public’s growing frustration with the political establishment stemmed from the apparent indifference of political leaders to Venezuela’s deepening social polarization beginning in the 1980s. This ascendant interpretation of the public’s disillusionment incorporates some elements of the failed institutions thesis. For example, social polarization proponents acknowledge that Venezuela’s political institutions failed to “serve as the fulcrum of popular political representation” (Roberts 2003b, 58). They differ, however, in their interpretation of the primary concerns that the public had with the political establishment and hence the primary concerns that led voters to choose Chávez in 1998.

Social polarization scholars contend that economic, not just political, issues preoccupied Venezuelans. They dispute the implication of the failed institutions perspective that the primary source of frustration with the political establishment was its exclusive political institutions. Instead, they argue that the problem was the political establishment’s failure to curtail the onset of economic crisis in the 1980s and to avoid social polarization thereafter (Ellner 2003, 17). They point to the emergence of class-based political movements as indicative of this frustration. For decades, Venezuela conformed to the region’s tendency of subverting class differences through multiclass parties (Myers 1998). In the 1990s, however, new movements, including Chávez’s MVR and the labor union–based Causa R (Buxton 2001, 133–65; Hellinger 2003), mobilized economically marginalized populations around their class-based economic concerns. Social polarization scholars trace this re-politicization of class to the growing polarization of Venezuelan society.

According to these scholars, several socioeconomic trends that began in the 1980s converged to divide Venezuelan society and, hence, to create a social base

for re-politicizing class. Indeed, Venezuela's debt crisis and the volatility in oil prices in the 1980s hurt the nation's economy. Plummeting oil prices in 1998 only accelerated these trends and their consequences for average Venezuelans (Buxton 2003, 121–22). By the 1990s, the social effects of this spiral included a 20 percent decrease in per capita gross domestic product (Crisp 2000, 175), a decline by nearly two-thirds in the purchasing power of the minimum wage, and a dramatic increase in poverty rates, from 36 percent in 1984 to 66 percent in 1995 (Roberts 2003b, 59). Neoliberal economic reforms, which eviscerated social spending and undermined productive capacity in agriculture and domestic manufacturing, compounded these effects (Roberts 2003b, 60). Some even argue that these reforms produced the world's sharpest increase in inequality (Naím 2001). For social polarization scholars, these trends presented the objective conditions that are ideal for class-politicizing movements (Roberts 2003b, 58–60).

Polls corroborate the implication of the social polarization thesis: that social polarization prompted the re-politicization of class. Venezuelans did indeed become ever gloomier about their own circumstances and the state of the economy as their society became increasingly unequal. Polls indicate that since the economic difficulties of the 1980s, “at least one-third of the population has always considered itself to be worse off than the year before” (Templeton 1995, 81). Furthermore, polls demonstrate that after Venezuela sank into a recession in 1997, respondents' negative economic assessments of their own circumstances and of the national economy intensified (Weyland 2003, 828).

Polls also confirm social polarization scholars' interpretation of the policy issues driving these movements. These scholars interpret the emergence of the new class-politicizing movements as evidence that economically marginalized members of Venezuelan society had largely disagreed with the political establishment's decision to implement neoliberal economic policies during the 1990s (Ellner 2003, 17; Roberts 2003b, 55). These scholars argue that the economically marginalized popular classes were critical of neoliberal reforms (Roberts 2003b, 64) and blamed the political establishment for permitting Venezuela to remain dependent on oil exports (Ellner 2003, 19). The marginalized popular classes, they posit, felt abandoned by their leaders, especially those on the Left, who had failed to resist neoliberal reforms and defend interventionist policies (Ellner 2003, 19; 2008, 9).¹² As Kenneth Roberts puts it, “The imposition of a strict neoliberal structural adjustment package in 1989 . . . rup-

tured both the programmatic consensus and the social pacts that had bound diverse constituencies to the established parties” (Roberts 2003b, 58). This interpretation was in line with earlier predictions (Hellinger 1984, 1991). Ironically, the nationalization of oil in 1976 would, they speculated, make it more difficult for political leaders to deflect blame for economic problems onto foreign oil companies. Instead, nationalization, they predicted, would force Venezuelans to look inward for the cause of their subsequent economic difficulties.

Pre-1998 polls confirm this claim. Venezuelans became increasingly dissatisfied with the political establishment’s economic policies. In the mid-1990s, after the government had sought to liberalize trade and had privatized several major state-owned enterprises, only about a quarter of Venezuelans endorsed economic liberalization (Buxton 2001, 65). Opposition to privatizing the largest state-run enterprise, the oil industry, was particularly strong. In one study, 92 percent of respondents thought the oil industry should not be privatized (Molina 2002, 239). Instead, in the 1990s, most Venezuelans still favored state interventionism (Romero 1997, 21; Templeton 1995, 102–5). In the year leading up to the 1998 election, when oil prices again declined, Venezuelans became even less supportive of the government’s economic policy, including its neoliberal policy of opening the oil industry to more private and foreign investment (Buxton 2003, 122).

The social polarization thesis offers important insight into the origins of declining public support for Venezuela’s political establishment and, therefore, the social processes that paved the way for Chávez to win the 1998 election. In addition, unlike both the corruption and failed institutions theses, the social polarization thesis provides a powerful rationale for why Venezuelans might have preferred Chávez over the other candidates. As the only candidate with an anti-neoliberal policy position, Chávez could attract popular support from the growing ranks of Venezuela’s economically marginalized, who were disillusioned with the establishment’s decision to implement neoliberal economic reforms in the 1990s. This argument takes an important step toward explaining why Chávez, in particular, emerged as the winner in the presidential contest of 1998.

Nonetheless, a review of Latin America’s most recent history raises questions about some of the underlying assumptions of this argument. For example, most Latin American nations introduced neoliberal economic reforms earlier than Venezuela and subsequently experienced intensifying poverty, inequality,

and economic informalization, which in many instances were worse than Venezuela's. Even so, anti-neoliberal candidates failed to galvanize economically marginalized voters and win elections until the late 1990s, and these electoral successes did not necessarily occur in the countries that experienced the region's deepest social polarization. Mexicans, for example, have yet to elect an anti-neoliberal president, even though their government adopted one of the region's earliest and most comprehensive neoliberal projects in the 1980s. These reforms deepened social inequality, undermined union power (Gates 2001), lowered Mexican wages overall (Salas 2006), and dramatically expanded the ranks of Mexicans living in poverty (Jordan and Sullivan 2003; Public Citizen's Global Trade Watch 2006).

Furthermore, as many on Latin America's Left acknowledge, economic hard times have not always produced electoral victories for leftists nor have economically deprived populations always embraced the Left. In the 1990s, Latin America's Left largely concurred that the region's "objective conditions" of social polarization were those that had historically created opportunities for it to gain political power (Carr and Ellner 1993; Castañeda 1990, 485; Harnecker 2001, 87–89). But leftists also recognized that these objective conditions were merely conducive to winning elections and that leftist candidates would still have to realize the "subjective transformation" of their potential social base (Harnecker 2001, 87–89). They conceded that left-leaning candidates, particularly those like Chávez who were staunchly anti-neoliberal, would have to overcome a number of liabilities if they were to win elections. Many believed that business opposition constituted a chief liability for anti-neoliberal candidates.

Since scholars developing the social polarization thesis, like those contributing to both the corruption and failed institutions theses, have thus far not addressed how Chávez overcame business opposition, I offer my own argument below. It entails explaining how he won both voter support (the voter puzzle) and financial assistance from a few business elites (the business assistance puzzle).

Solving the Voter Puzzle

My solution to the voter puzzle draws on insights from all three theses discussed above. However, it amends, re-specifies, and extends these theses in new ways.

The Anti-business Thesis

I propose that Chávez won widespread support because he attracted voters who themselves lacked confidence in business. In other words, Chávez's supporters might have been what I refer to as "anti-business voters." Supporting a candidate opposed by business would not necessarily be a problem for those who themselves did not value the opinions of business. Such voters might be indifferent to business concerns. Alternatively, as some observers noted during the campaign, they might have supported Chávez in part *because* he seemed able and willing to unsettle the business community. Scholars have documented that Venezuelans had lower confidence in their principal business institutions compared with their other key institutions (Buxton 2001, 73–75; Romero 1997, 16; Templeton 1995, 89), but they have not investigated the potential effect of this view in the 1998 elections. We have yet to consider whether anti-business sentiment affected voter preference for Chávez independent of anti-corruption, anti-political establishment, and anti-neoliberal sentiments.

The possibility that Chávez might attract widespread voter support in part because of business opposition was a point made by private sector advocates as well as Chávez's own allies during the campaign. An economist warned business leaders that their shrill depiction of Chávez as an "authoritarian despot" was doing little to disqualify Chávez in the eyes of the public, especially the "poor sectors." Instead of "debilitating Chávez," the economist argued, their criticisms had "actually ramped him up to first place in the polls" (Márquez 1998).¹³ Some of Chávez's political allies also seemed to believe that calling attention to business opposition could improve his popularity. In June 1998, a Chávez ally who served in Venezuela's national legislature, Carlos Melo, called on the congress to investigate the "national damage caused to the country by the 'political opinions' made by the foreign risk assessors" ("Investigarán" 1998). The opinions he referred to were those of risk assessors who had issued reports declaring Venezuela to be a greater investment risk once Chávez seemed likely to win.¹⁴ As a result of Melo's request, the Interior Commission of Politics in the House of Deputies began to investigate "the reasons that these companies made these opinions, as well as the extent of damage they caused" ("Investigarán" 1998). Melo's request reveals that Chávez's allies did not fear drawing attention to the business community's opposition to Chávez. Like economist Trino Márquez, Melo suggested that this virulent business opposition actually

had a positive effect when he commented that the business community's outcry was "far from provoking a decline for him [Chávez] in the polls" ("Investigarán" 1998).

That Chávez earned support from anti-business voters is also plausible given the electoral success of Latin American political leaders who court voters by denouncing elites more generally. Denouncing elites is widely recognized as an electoral strategy of populists in Latin America. Populists, and in particular those populists who are not leftists, stop short of calling for "far reaching structural change to overcome underdevelopment" (Carr and Ellner 1993, 15). However, populists are generally similar to leftist political figures in that they win with electoral support from popular sectors: the poor, the economically marginalized, and the working classes. They typically "promise, and sometimes delivered, a better life for the masses" (Conniff 1999, 6). They often proclaim an "amorphous or eclectic ideology, characterized by a discourse that exalts subaltern sectors or is anti-elitist and/or anti-establishment" (Roberts 1995, 88). Pointing to the importance of anti-elitist rhetoric as a key to populist electoral success, the scholars quoted here imply that populist leaders are either fostering or tapping into anti-elitist sentiment among voters. Such skepticism regarding elites could also explain why business opposition would not deter voters.

Therefore, I argue that Chávez won widespread voter support because there was already a pool of anti-business voters who were undeterred, and perhaps even encouraged by, business opposition. Chávez's leading opponent, Salas Römer, would have been unlikely to win over anti-business voters given that he was a "businessman-turned-politician" (Coronil 2000). Indeed, Venezuela's business community openly embraced Salas Römer, which led the media to dub him the "darling of businessmen" (Paulin 1998). It was this anti-business sentiment that helped Chávez lure voters away from his leading competition. In making this claim, I shift the focus away from Chávez's rhetoric and toward the pre-existing sentiments of voters that could be present in a wide range of social classes.¹⁵

Social polarization theorists have thus far overlooked anti-business sentiment as an element that could very well have facilitated the re-politicization of class. Anti-business sentiment is, after all, a feeling of distrust toward those who are quintessential members of the upper classes in society—those who own, invest in, and manage business enterprises. My argument is that those

who, like Chávez, re-politicized class in the 1990s were successful not just because so many impoverished Venezuelans opposed neoliberal economic reforms, as thought by many social polarization theorists. Rather, they were successful because so many Venezuelans across diverse social classes distrusted their business leaders.

Nonetheless, the plausibility of the theory that Chávez's widespread voter support derived in large measure from those with anti-business sentiment also rests on establishing the likely origins of such anti-business sentiment. Undoubtedly, Venezuela's social polarization created conditions ripe for rising anti-business sentiment. Yet, as I noted earlier, social polarization is not sufficient to explain when and where movements that re-politicized class arise, let alone when and where the sentiments that facilitate such movements, such as anti-business sentiment, might arise. Thus, I look beyond the socioeconomic circumstances to identify plausible origins of anti-business sentiment.

Two Sources of Anti-business Sentiment

There are two likely sources of anti-business sentiment: the increased association of business with corruption and the increased prominence of business within the political establishment. In making this assessment, I do not reject the corruption or failed institutions theses. Rather, I draw on the insights of both to propose new ways that corruption and Venezuela's political institutions influenced the outcome of the presidential election of 1998. In my view, corruption's influence on that election had less to do with its perceived prevalence and more to do with its perceived role in giving business elites an unfair advantage. I propose that Venezuela's political institutions influenced the 1998 election not only by excluding so many Venezuelans but also by visibly including business elites. Anti-business sentiment, in other words, may originate in a historical association of business with both corruption and the political establishment.

We might expect voters to discredit both nongovernmental and governmental actors associated with corruption. This expectation builds on the corruption thesis, which posits that Venezuelans blamed corruption for the inefficacy of Venezuela's political establishment by 1998. There is good reason to believe, however, that business, more than any other nongovernmental actor, would have been publicly associated with corruption and thereby discredited. Studies suggest that it was hard to conduct business in Venezuela without engaging in

various types of transactions that fit the legal definition of corruption (Francés 1989; Naím and Francés 1995; Pérez Perdomo 1991; 1999). These transactions typically involved securing state authorizations after paying a fee requested by a bureaucrat or voluntarily offering a bribe (Francés 1989, 111). These transactions sometimes involved receiving a favor after financing a candidate (Coppedge 2000, 118) or concocting elaborate collusion schemes with high-level government officials (Capriles Méndez 1992).

Corruption scandals that implicated business could have helped generate a pool of anti-business voters. Corruption *scandals* are by definition instances of corruption that the media publicizes and that are therefore likely to shape public opinion. No study that I am aware of, however, examines the degree to which business is *publicly* associated with corruption in Venezuela. The importance of corruption in the 1998 elections was, then, that it was viewed as intensifying social polarization and therefore unjust. In other words, business corruption, along with corruption's ubiquity, could help explain anti-business sentiment and hence the discrediting of business opposition to Chávez.

We might similarly expect voters to discredit nongovernmental actors who had acquired visibility, or prominence, within the political establishment. This expectation builds on the contention posited by the failed institutions thesis that there was widespread frustration with the political establishment by 1998. Just as the business community might have been discredited by becoming publicly associated with corruption, it might also have been discredited by becoming publicly associated with Venezuela's two-party political establishment.

Studies of Venezuela's policy-making process have already established that the business community had privileged access to decision making in Venezuela's two-party political establishment (Coppedge 2000; Crisp 2000). This privileged access was first evident as Venezuela's two-party democracy was being established, when individual business leaders helped broker agreements among rival political leaders and their followers (López Maya, Gómez Calcaño, and Maingón 1989). During the first several decades of the post-1958 democracy, policymakers established a special consulting relationship with the Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela (FEDECAMARAS), the voluntary business association that served as an umbrella organization for all of Venezuela's business groups (López Maya, Gómez Calcaño, and Maingón 1989, 67). This privileged access was then institutionalized in the main mechanisms through which Venezuela's political elites consulted with society: a

maze of specialized ad hoc consultative commissions in which business groups were overrepresented (Crisp 2000). Other observers have similarly noted that individual business leaders historically penetrated Venezuela's extensive bureaucracy through informal networks (Gómez 1989, 105–6) or gained influence over political leaders through campaign financing (Coppedge 2000).

However, the forms of privileged access identified in prior research were largely invisible to the public. Even the ad hoc commissions that gave formal government access to the leading business association largely met behind closed doors. Individuals with significant prior business experience in prominent, high-profile positions of authority, however, would make this privileged access visible to the public. Thus, the prominence of business within the political establishment or business prominence could have helped to generate a pool of anti-business voters. A visible presence of business actors in politics could discredit business and lend credibility to a candidate whom the business community opposed. Other observers have noted that business elites did sometimes obtain high-level political appointments as ministers or gain nomination to represent political parties in the federal legislature. Michael Coppedge, for example, argues that business elites who financed political campaigns in Venezuela sometimes obtained “the ability to designate trusted associates to fill a few seats in Congress or a powerful cabinet post, such as Finance Minister” (Coppedge 1999, 22). Some have discussed a few high-profile cabinet ministers who had business ties (Corrales 1997, 2002), and others have even developed partial lists of the business ties of ministers during the two-party democratic era that lasted from 1959 to 1998 (Arroyo Talavera 1986, 363; Coppedge 1999, 24).¹⁶ But no previous study has systematically examined the degree to which business was indeed prominent in Venezuela's political establishment throughout the two-party era.

We may therefore want to re-specify the role of Venezuela's political institutions in the origins of the public's disillusionment with the political establishment. The failed institutions scholars focus on how the structure of Venezuela's institutions provoked disillusionment by excluding a growing number of Venezuelans. This study instead focuses on how the types of societal interests embedded within these institutions eroded Venezuelan confidence in the political establishment. It was the increased identification of these institutions with elite business interests that stimulated antagonism toward Venezuela's business elite and political establishment. We may also want to re-specify the

origins of class-based political movements. This study focuses on how business prominence, not just social inequality, facilitated the rise of movements that re-politicized class and thus generated voter support for an anti-neoliberal candidate opposed by business.

Solving the Business Assistance Puzzle

In order to solve the “business assistance” puzzle we must redirect our focus away from the sentiments of voters and toward the political calculus of business. In other words, we must understand the calculus of individual business elites who decided to assist Chávez and thereby become outliers within Venezuela’s business community.

Scholars have not yet systematically studied the political calculations of the “elite outliers” who assisted Chávez. None of the theses described above, for instance, addresses this business assistance puzzle, although investigative journalists have pursued the subject (Santodomingo 1999; Zapata 2000). These investigations indicate that one of Chávez’s closest advisors was probably a critical player in recruiting business assistance for Chávez’s campaign.¹⁷ Nevertheless, the complicated calculus individual businesspeople use to judge how likely they are to benefit from assisting a candidate limits even the most adept campaign fund raiser. Thus, it is important to identify how individual business elites might benefit by assisting Chávez. Theories on the political behavior of business actors and an extensive literature on state-business relations in Venezuela provide the starting point for that process of identification. I argue that both the business community’s economic dependence on the state *and* the political prominence of business shaped the calculus of the “elite outliers” who assisted Chávez. This represents yet another way, not previously contemplated by failed institutions scholars, that Venezuela’s political institutions may have shaped the 1998 elections.

The Politics of State-dependent Businesses

Studies on campaign financing suggest that some businesspeople may assist anti-neoliberal candidates like Chávez because their businesses are economically dependent on the state. These studies posit that business elites may be

predisposed, by virtue of their structural or economic dependence on resources distributed by the state, to assist candidates who they believe would secure or ensure their access to the state. This prediction contrasts, however, with the conventional wisdom that business elites tend to support candidates who advocate the economic policies they are most likely to favor (Frieden 1991; Gourevitch 1986; Rogowski 1989; Shafer 1994; Silva 1996). It addresses the bigger puzzle of why some business elites would support candidates whose policy agendas ostensibly run counter to their particular economic interests (see Corrales and Cisneros 1999; Kingstone 1999).

Recent studies indicate that a willingness to finance candidates, regardless of their policy position, is associated with state dependence.¹⁸ Studies of political action committees (PACs) in the United States and the companies that fund them reveal that some corporations are willing to support incumbents, regardless of the incumbent's espoused policies (Gopian, Smith, and Smith 1984; Grier, Munger, and Roberts 1994; Handler and Mulkern 1982). These corporations, according to the studies, tend to depend on the state in some way. Some rely on government contracts, while others may be dependent on the good graces of government regulators to operate or to generate profit. These corporations, they find, are the ones that are more likely to support policies like tax increases, wage increases, and higher social spending.

A study of campaign financing in Brazil (Samuels 2001) comes to a similar conclusion. It finds that some businesses in Brazil are more likely to be generous in their support of political leaders who control many of the most important resources the state distributes. In Brazil, these political leaders are the state governors, who tend to control the most lucrative contracts awarded to private companies. That study also reveals that companies depending on government contracts for their livelihood are the ones most likely to support candidates regardless of their policy preferences. Thus, research in the United States and Brazil reveals that *state-dependent* business actors have a structural predisposition to assist whichever candidate is most likely to grant them access to the state. This logic suggests that the outliers of the business community who assisted Chávez were dependent on the state. If so, then they may have assisted Chavez because they had a structural predisposition to pursue access to the state.

Prior descriptions of Venezuelan business affirm the prevalence of such a political calculus. Some scholars describe the business community there as being oriented toward "courting the state" (Naím and Francés 1995). More pre-

cisely, as Moisés Naím, a leading scholar and former cabinet member, put it, the Venezuelan state was like a “powerful, confused, preoccupied but easily influenced father” who obliged Venezuela’s business elite “to seek out corrections, modifications, exceptions to decisions and rules adopted by the government” (Naím 1984, 175). Antonio Francés describes these state-courting behaviors of business elites in further detail: “The Venezuelan business[person] feels the presence of the state practically at every turn. To establish an industry, sign a union contract, import inputs, export products, the businessperson must obtain official permissions and engage in transactions which can be complex and expensive. The businessperson must ask the state . . . for purchase orders for their products, credits to expand their factory, subsidies to increase consumption, [state investment in] infrastructure construction, provision of every kind of public service and inputs for their products manufactured by state enterprises” (Francés 1989, 103).

Scholars variously trace the state-centric orientation of business to state interventionism (Pérez Perdomo 1991, 1999) to Venezuela’s small, oligopoly-dominated economy (Naím and Francés 1995) or, more generally, to Venezuela’s oil economy (Karl 1997). The studies on campaign finance cited above, however, suggest that this orientation of Venezuela’s business community can be traced most immediately to its economic dependence on the state, regardless of whether this dependence originated in a particular economic policy, firm structure, or resource base. While others have amply demonstrated how Venezuela’s business community has historically depended on the state (Baptista 1997; Briceño-León 1990), they have not elucidated how this dependence also shaped the political calculus of business elites in 1998. And yet, the economic dependence of many businesses in Venezuela likely shaped their leaders’ political calculus such that they favored the candidates through whom they believed they would be most likely to obtain access to the state.

Although most of the business elites who assisted Chávez were in state-dependent sectors (Gates 2007), clearly the vast majority of Venezuela’s state-dependent business elites did not assist Chávez. Moreover, those who did support him could not have done so for the same reasons that Brazilian construction companies assisted left-leaning governors. The latter assisted leftist candidates merely because they were incumbents. But Chávez was not an incumbent. Why, then, did some state-dependent elites become outliers and assist Chávez while others did not? To explain variation in the political calculus of similarly eco-

nomically dependent business elites, we must look more closely at the access-based rationales of elite outliers.

The Politics of Ensuring Business Access to the State

Intuitively, we might expect state-dependent business actors to assist presidential candidates with whom they have a personal connection, regardless of the candidate's policy persuasion. Such a connection would give them a reason to trust a particular candidate (Gates 2007, 107, 111). That connection would supposedly ensure access to the state under that president's administration and thus result in benefits such as state contracts for that business.

It is also plausible, nonetheless, that state-dependent elites would assist candidates who they feared might limit their access to the state were they not to fund them, regardless of the candidate's policy orientation. This reasoning makes sense when we consider the nature of economic dependence on the state. Dependence on the state forces businesses to compete for the same set of coveted state favors in their sector. Therefore, it is reasonable to expect that acute fears of losing access to the state would have shaped the political calculus of the elite outliers in 1998 (Gates 2007, 106, 110). However, it was likely the political prominence of business that intensified the fears of losing access and led some elites to assist Chávez. This political prominence could come into play in two ways.

First, when individual state-dependent businesses appear to accrue conspicuous benefits from being a patron of a leading political figure, they might fear reprisals from that person's political competitors. As Coppedge has argued, business leaders in Venezuela cultivate relationships with politicians, much as they do in the United States, by financing their political campaigns (Coppedge 2000, 118). Although becoming a patron of a candidate might yield a windfall, such as the nomination of a trusted ally for a top economic policy position, securing such a conspicuous windfall could also make the favored business elite a convenient target for reprisals by their client's political enemies. Thus, we would expect that business executives who suspected they had become publicly identified as patrons of a particular political leader to have an acute fear of losing access under a new administration. Such a fear would convince them to assist the candidate most likely to win the next elections, no matter what their political persuasion, in order to offset the risk of political reprisals.

Second, individual state-dependent business elites might fear the victory of a candidate who seems likely to confer coveted state favors on one of their business competitors (Gates 2007, 107, 112). Candidates with close ties to a business competitor would likely provoke this kind of fear. Or, more often, certain business elites may fear a particular candidate because that candidate is likely to appoint one of their business competitors to a chief economic policy post. The presence of these prospective business executives-turned-bureaucrats, whom I call *businocrats*, could constitute a reason to fear loss of access if that candidate won. Thus, I propose that the prospective businocrats of Chávez's leading political opponent, Salas Römer, might have evoked acute fears of losing access. These fears may have been strong enough to lead some business elites to become outliers and assist Chávez.

To some, it may not be readily apparent that the visible presence of business in Venezuela's political establishment would be decisive in generating acute fears of losing access to the state. After all, a leading theory of economic development posits that the ideal developmental state is not only autonomous enough, or sufficiently independent of any particular business's influence, to act in the nation's general interest but also sufficiently embedded within the business community to inspire business trust and cooperation (Evans 1995). There is a similar argument that this type of productive collaboration depends on factors such as a free flow of information between the state and business and the state's ability to inspire the trust of the business community (Schneider and Maxfield 1997). These factors must be present to avoid "degenerating into the unproductive exchange of favors for bribes" (Schneider and Maxfield 1997, 15).

Nevertheless, a careful analysis of Venezuela's neoliberal reforms during the 1990s reveals that the economic cabinet members (ministers) who faced the fiercest opposition from business ironically had the most intimate and therefore most visible professional connections to business (Corrales 1997; 2002, 163–66). Rather than inspire greater confidence in their reforms, the ministers who had previously served as top managers and board members of major corporations fueled suspicions that their policies would favor their own businesses at the expense of others in their sector. Javier Corrales thus identified a potential problem with embeddedness not contemplated by Peter Evans (1995): that of policymakers being "overly linked" to business. Policymakers who were overly linked to business, Corrales argues, could evoke fears of bias being em-

bedded in policy proscriptions, particularly among businesses that occupied the same economic sector as the minister.

I extend Corrales's insight to a new context: that of the political calculus of business actors during electoral campaigns. The business ties of candidates and their allies are just as likely to evoke business elites' fears of losing access as to inspire trust in a particular political candidate. For this reason, we need to take into consideration how the prominence of business within Venezuela's political arena shaped the political calculus of the elite outliers in 1998.