

COMMENT

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René Salgado's research makes a valuable contribution to the ongoing debate on the nature and influence of interest groups in the Venezuelan political system. His focus on specific policy decisions implies a welcome shift away from the realm of highly abstract and generally dogmatic speculations toward the more accessible sphere of comparable political processes. Mr. Salgado's findings expose the weakness of vulgar mechanistic approaches that perceive the state as a pure instrumentality at the mercy of dominant social actors, ignoring the fact that the clashes between Venezuelan political and economic elites are both real and meaningful. In the case of the exchange-control decisions, the fact that the business sector did not get everything it wanted and had to fight hard to get what it did is a telling illustration of the limits of this sector's power.

Does the evidence provided here, however, support the contention that Venezuelan economic groups are not the "dominant classes"? Does it show that FEDECAMARAS is not a powerful actor in Venezuela's economic policy-making? I do not believe so, and not only because of the methodological limitations that Mr. Salgado rightly acknowledges but because of more fundamental theoretical reasons. For one thing, dominant-class status does not require that a social class enjoy absolute control over every conceivable policy decision. To dominate does not mean to overwhelm. It entails instead a reasonable degree of control of the basic economic system, that is, the ability to set the parameters of acceptable change. In a capitalist society such as Venezuela, the capitalist class is the dominant class insofar as it retains a dominant position vis-à-vis labor, and it will remain so unless and until a fundamental economic transformation alters the basic nature of the relations of production.

The fact that economic elites are the dominant classes in the economic sphere does not mean that they are necessarily the ruling elites in the political realm, however. Socioeconomic elites are often forced to exchange the right to rule for the right to retain economic dominance, just as leaders of elites sometimes risk their right to remain dominant in an attempt to secure the right to rule. Neither rule nor domination is

reduceable to the other. Depending on the "fit" between the dominant political coalition and the dominant economic coalition, rule and domination can either overlap easily or coexist with difficulty.

The case of the Venezuelan private debt examined by Salgado shows the strains between fractions of the ruling elites and fractions of the dominant classes. It does not demonstrate that the economic elites are no longer the dominant classes. Perhaps a tax analogy could clarify this issue further: as long as ruling political elites do not tax the dominant economic classes out of the system, tax-burden levels can be and frequently are the object of confrontation and compromise. But just because tax levels are raised or lowered does not mean that dominant classes have ceased to be dominant or that ruling elites no longer rule. Theoretically speaking, then, the scope of Mr. Salgado's findings are limited to showing the balance of power between political and economic elites at one point in time and with respect to one specific issue. At best, they suggest that that balance has been shifting in ways detrimental to the socioeconomic elites.

Beyond my theoretical reservations, the substantive issue is the question of how detrimental to the interests of the socioeconomic elites were the decisions concerning repayment of the private debt. Salgado suggests that because the subsidized rate of 4.3 *bolívares* per dollar was finally allowed only for amortizing principal and not for the payment of interest, socioeconomic elites sustained a significant loss. This conclusion is a matter of interpretation. If consumers ultimately bear the price of the devaluation of the bolívar by paying more for imports and domestic items with import components, why should debtors not assume part of the cost of that devaluation as well? Of course, a theoretical loss is involved in paying interests at a rate of 7.5 bolívares per dollar when the debt was contracted at 4.3 per dollar, but just how significant that loss might be is not altogether clear from the evidence provided by Salgado. My suspicion is that it is by no means as substantial as the business sector has claimed; considering all relevant factors, it may be quite marginal if a loss at all. For one thing, the "loss" should be calculated against the earnings that the borrowed dollars would have generated in the first place. The loss may actually be merely a case of *lucro cesante*.

More important, the socioeconomic elites realized truly astonishing profits through the capital flight preceding the devaluation of the bolívar, which was estimated by the World Bank to have reached twenty-two billion dollars between 1979 and 1982.¹ A recent (and admittedly conservative) estimate by the Morgan Guaranty Trust suggests thirty-one billion dollars between 1976 and 1985.² The same Morgan Guaranty Trust study has identified twelve and a half billion dollars held by Venezuelan nationals in overseas banks. This amount equals or

exceeds the registered private debt and does not include the holdings of individuals not using Venezuelan addresses or using intermediaries in third countries, nor does it consider assets other than bank deposits, such as securities, stocks, currency, and real estate. This point was precisely the one made so clearly but unsuccessfully by former Banco Central President Leopoldo Díaz Bruzual four years ago.

Against this background of capital flight and associated exorbitant profits, it is indeed difficult to argue that the socioeconomic elites as a whole have sustained any loss at all. The windfall profits they accrued from the devaluation of the bolívar were possibly more than enough to offset the losses of repaying their debts even at the free-floating rate. The government's decision to provide them with subsidized bolívars to repay the principal and semisubsidized bolívars to pay the interest probably kept these profits largely intact.

To summarize, although one could argue that in a narrow sense the government decision implied a defeat for business sectors and a victory for the government, I would submit that the broader picture indicates that such a victory has indeed been pyrrhic and that business interest groups continue to yield an impressive amount of power and influence.

NOTES

1. *World Bank Development Report, 1985* (Washington, D.C.: World Bank, 1985), 64.
2. "LDC Capital Flight," *World Financial Markets*, Mar. 1986, 13–15. This periodical is published by the Morgan Guaranty Trust.