

Book Review

Leslie C. Gates, *Capitalist Outsiders: Oil's Legacies in Mexico and Venezuela*. Pittsburgh: University of Pittsburgh Press, 2023. Figures, tables, index, 226 pp; hardcover US\$50.00

Capitalist Outsiders contrasts developments in the oil industry under two left-leaning governments in the 1930s and 1940s and the impact of their legacies on twenty-first-century politics. The author Leslie Gates labels the presidents and their respective mass-based parties “outsiders.” However, in one case (Lázaro Cárdenas and his party which subsequently became the Institutional Revolutionary Party—PRI), they were more radical, in addition to being “self-proclaimed revolutionaries,” and in the other (Rómulo Betancourt and his Democratic Action—AD) they were somewhat cautious. Gates focuses on two differences between the two sets of outsiders. In the first place, Cárdenas nationalized Mexico’s oil industry in 1938 whereas the AD government of 1945 to 1948 did not, a decision Gates calls a “fateful . . . choice” (p. 140). Although neither party had an “ideological affinity for nationalization,” the Mexican outsiders “may have been more open” to it (p. 70). In the second place, the impetus for nationalization in Mexico came from a radical faction of the oil workers movement which called numerous wildcat strikes in favor of an industry-wide collective contract and workers’ control. Both oil company executives and Venezuelan leaders learned from the Mexican experience and designed strategies and policies to avoid a repetition of what they considered to be its detrimental results.

Gates provides considerable detail, derived from secondary sources, to deepen the contrast between the two countries during these formative years and demonstrate the far-reaching effects of the “learning” process. She points out that the oil companies, as well as Venezuela’s long-standing dictator Juan Vicente Gómez, took careful note of the vanguard role played by the Mexican oil refinery workers movement and consequently they opted to refine Venezuelan oil in neighboring Aruba and Curaçao rather than locally. Gates writes that “Mexico’s radical and militant oil workers operated first as a specter . . . to justify repressing the country’s [Venezuela’s] . . . labor activists” (p. 81) and subsequently in the 1940s “Betancourt outdid . . . Mexico’s modes of surveillance and labor repression” (p. 79). Gates notes that Venezuelans were offered “carrots” along with “sticks.” Arthur Proudfit, president of the nation’s largest oil company Creole Petroleum Corporation, was determined to avoid what he had personally witnessed in Mexico by promoting pro-worker measures and even lobbying the State Department to favor Venezuelan economic interests.

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Gates posits that the contrasting relations of Cárdenas and Betancourt with the business elite in their respective nations conditioned the emergence of “outsiders” in the age of neoliberalism. Cárdenas’ nationalization of the oil industry and pro-worker and peasant policies went hand in hand with the reforms he promoted “to ensure that the private sector had no formal role in the political arena” (p. 115), which included both the state and the PRI. This institutional autonomy had a long-lasting effect on the way Mexicans viewed the state and capitalists. In the context of the “countermovement” which, as Karl Polanyi predicted, emerges as a reaction against “neoliberalism, “Mexico’s dominant anticorruption narrative” centered on corrupt pro-neoliberal politicians belonging to the PRI, and “largely eclipsed capitalist culpability” (p. 43). Consequently the “capitalist outsider” Vicente Fox was able to profit from anticorruption sentiment by defeating the PRI in the 2000 presidential elections, even though “neoliberalism should have unleashed an anti-neoliberal wave of resistance strong enough for an anti-capitalist outsider to ride to power” (p. 22).

The Venezuelan case is more complicated. Gates points to diverse factors that explain different outcomes partly originating from AD’s decision to refrain from nationalizing the oil industry. Gates argues that when Betancourt returned to power in 1959, he attempted to rein in Venezuelan capitalists who were distrustful due to his generosity toward foreign capitalists during his previous administration in the 1940s. Not only had he ruled out nationalization of the oil industry including the Rockefeller-owned Creole, but his friendly relations with, and concessions to, Nelson Rockefeller ran the risk of “extend[ing] the ‘monopolistic’ control of oil companies” (p. 138) to the production, distribution, and sale of food. Gates adds that this “perceived betrayal of national capitalists may very well have proved fatal” (p. 137) for the AD government in 1948 when it was overthrown in a military coup.

The book’s Chapter 6 titled “Corporate Insiders Who Embody Corruption” includes three tables that differentiate empirically the Venezuelan and Mexican cases: Venezuelan “corporate insiders” had over double the representation in presidential cabinets than their counterparts in Mexico and their representation in federal legislative positions was nearly five times greater; and a significant percentage of scandals over corruption in Venezuela implicated corporate executives. Gates’ comparative approach deepens the analysis she put forward in her *Electing Chavez: The Business of Anti-Neoliberal Politics in Venezuela*, which demonstrated that Hugo Chávez’s denunciation of corruption involving members of the private sector resonated with voters in the 1998 presidential elections.

Gates conducted 29 in-depth interviews with Venezuelan corporate leaders in 2006 which she analyzes in Chapter 7 on “Reviled Corporate Insiders.” The interviewees articulated two narratives. Many business executives idealized the post-1958 period following the overthrow of dictator Marcos Pérez Jiménez in 1958 on grounds that it reversed the nation’s authoritarian legacy. In doing so, they justified the incorporation of corporate representatives into the state and the party by calling the businesspeople who occupied “plum public administration

appointments” (p. 140) “messenger boys’ who humbly served the ideal of realizing a pluralist democracy” (p. 129). For Gates, however, “far from being idealistic champions of democracy, as many corporate leaders remember it, Venezuela’s national capitalists . . . were realists, looking to ensure that whoever took over after the dictator [in 1958] would’ protect their interests” (p. 135).

At the same time, however, Gates notes that some of the business leaders she interviewed “broke through the collective nostalgia for the past . . . reserv[ing] their most bitter disillusionment for the corporate leaders who became system insiders” (p. 138). Gates points out that the “demonization of corporate insiders” explains why some corporate leaders supported Chávez’s original presidential bid in 1998 that promised to break with the past. She may have noted that other pro-neoliberal critics of “corporate insiders” were anti-Chavistas from the outset, such as Moisés Naím who had served in the cabinet of neoliberal president Carlos Andrés Pérez around the time of Chávez’s abortive coup in 1992. Years later some pro-establishment political party stalwarts blamed the “corporate outsiders” for facilitating Chávez’s rise to power as a result of their all-out critiques of the nation’s political system.

Gates argues that the election of Chávez, an anti-capitalist outsider, “raises questions for institutionalists,” given the fact that “Venezuela had the seemingly ideal political institutions to stymie anti-neoliberal protests and electoral challenges” (pp. 16–17). Throughout the book, Gates also questions the applicability of the central thesis put forward by Ruth and David Collier in their seminal *Shaping the Political Arena* (1991). Gates argues that the Colliers, in their attempt to classify the AD government of the 1940s and the Mexican one of the 1930s as “radical populists,” leave basic differences between the two “largely unexplained” (p. 14). Venezuela’s status as a late comer for the process of social incorporation was an essential element since the nation’s “radical populists” were determined to avoid the perceived downsides of the Mexican experience. Furthermore, the “critical juncture” approach employed by the Colliers implies that both countries followed similar trajectories, which did not happen according to Gates because of basic differences dating back to the incorporation stage in the 1930s and 1940s.

Some Venezuela specialists may question the book’s overemphasis on the importance of AD’s decision in the 1940s not to nationalize the oil industry and Gates’ depiction of the government’s labor policy as “paler inducements” (p. 82) than those in Mexico. In fact, the Venezuelan Ministry of Labor of those years promoted unionization on a mass scale and the government’s oil policies furthered national interests, such as its decision to sell a portion of its oil royalties on the world market. Other scholars may object to Gates’ crediting of Creole with having “appropriated” (p. 103) the slogan “sow the oil”—which referred to economic diversification. In fact, the term was most associated with Rómulo Betancourt and other Venezuelan politicians and intellectuals.

Regardless of these possible objections, *Capitalist Outsiders* is a fascinating work with implications that go beyond Venezuelan and Mexican studies. As Gates points

out, the phenomenon of leftist outsiders, corporate outsiders, and corporate insiders in the context of widespread discontent and a legitimacy crisis plays out in countries throughout the world. In the United States, for instance, the clash between the “corporate outsider” Donald Trump and Washington insiders has shaken up US politics to a degree unmatched in modern history. Given general disillusionment along with disappointing economic performance, the triumph of pro-capitalist outsiders rather than leftist ones would appear to be counterintuitive. Yet there are reasons why corporate outsiders and leftist outsiders fare better in some situations than in others. In the case of Venezuela and Mexico, Gates presents abundant evidence to demonstrate that the extent to which the private sector is perceived as being linked to the state goes a long way in explaining electoral outcomes. Some scholars will undoubtedly criticize Gates’ analysis for being too class-based and deterministic, but others will welcome it for being empirically strong, compelling, and original.

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