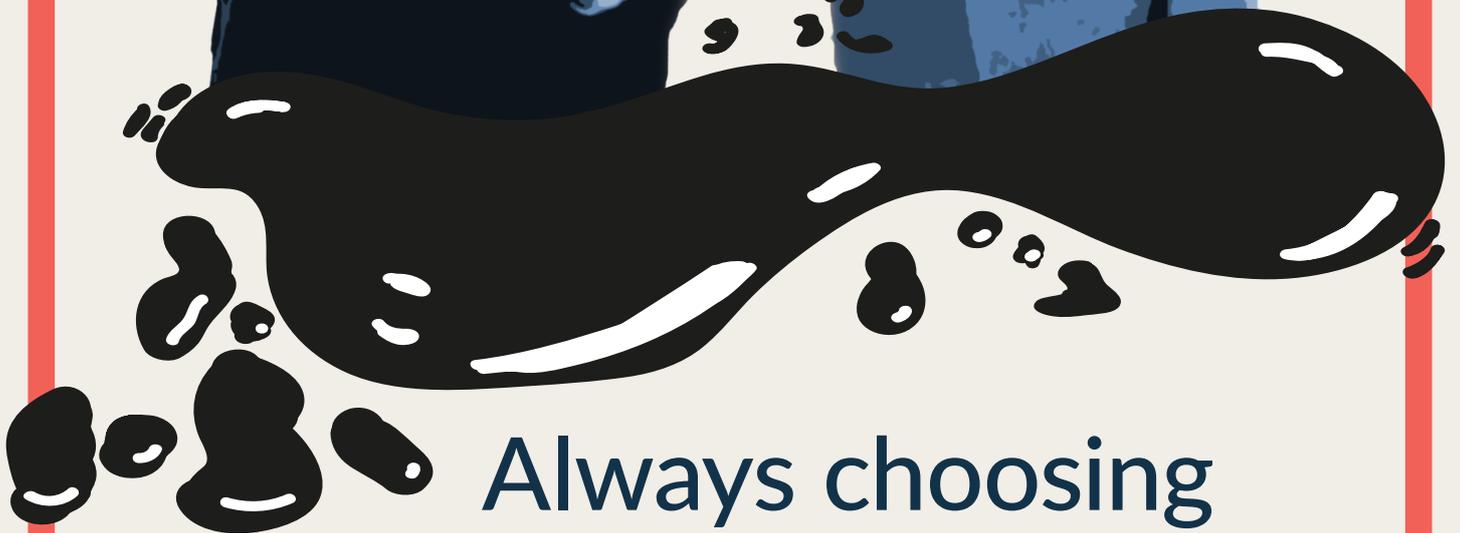


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## Always choosing the oil rents

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How leaders in Angola and Venezuela  
brought their countries to ruin

**Always choosing the oil rents****How leaders in Angola and Venezuela brought their countries to ruin**

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## ABSTRACT

Angola and Venezuela are among the most oil dependent countries in the world. When oil prices fell in 2014, these states lost half of their income base. A combined economic, political and social crisis followed. The acute problems in both countries, however, originate in the political economy that developed through decades of the black gold bonanza. Angola and Venezuela are very different polities, yet aside from oil dependency, the countries also share many traits: Authoritarian and presidentialist rule, political polarisation, deindustrialisation, import dependency, weak civil societies and the astronomical corruption levels.

This paper will discuss the gravity of the situation in the two countries and their deep roots in the political economy of oil. We argue that in many respects, the decline in Venezuela's institutions made it take on many of the forms and shapes that for some time had characterised Angola. Above all, the Venezuelan presidency came to take the form of a personalised hegemony imbued with a self-styled Constitutional legitimacy, much like what was already in place in Angola. We here argue that among the many expressions of the "resource curse" in these countries, there was always an element of crucial political choice: the leaders always chose to revert to the oil rents as the primary way of underpinning their increasing personal power at the expense of existing or de jure institutions, and increasing oil dependency.



## INTRODUCTION

Venezuela has been an independent country for around two hundred years, while Angola's independence from Portugal came only in 1975. While Venezuela's emblematic leader Hugo Chávez and his political movement harked back to a nearly mythological past of the independence leader Simón Bolívar, the current political leadership in Angola consists, largely, of the very generation who led the country to independence. Venezuela had during parts of its recent history, a large and diverse economy with a significant industrial and agricultural production, with hundreds of thousands of university educated individuals. Angola, on the other hand, came out of a long civil war in 2002, with a devastated domestic economy, almost no non-oil industry and merely a small number of operative university courses.

Despite the many differences between Angola and Venezuela, these two oil states share some striking similarities that motivate this paper. Indeed, we want to explain how they came to take on these similar characteristics. We also want to understand each of the cases better through insights from the other. In this working paper, we focus on how the strong leaders of Angola and Venezuela since the start of the millennium spent the oil rents as a strategy to strengthen their personal power and secure their rule over the countries – to the detriment of democracy and eventually also to the economies. Crucially, these were political choices and by no means simply “determined” by the “oil curse”.

Leaders, years in power	 <b>1979–</b>	 <b>Hugo Chávez Frías</b> <b>1998–2013 (d)</b>
Population	25 million	30 million
Capital population	6–7 million (Luanda)	6–7 million (Caracas)
Size, km <sup>2</sup>	1,246,620	916,445
Independence	1975	1830
Oil production		
Initiated	ca. 1968	ca. 1915
barrels/day	1,7 million	2,3 million
% of total exports	96	97
Oil reserves	10–15 years. Africa's largest, 2016	Latin America's largest
HDI rank, 2015	149	71
Inflation 2016, %	40	500+

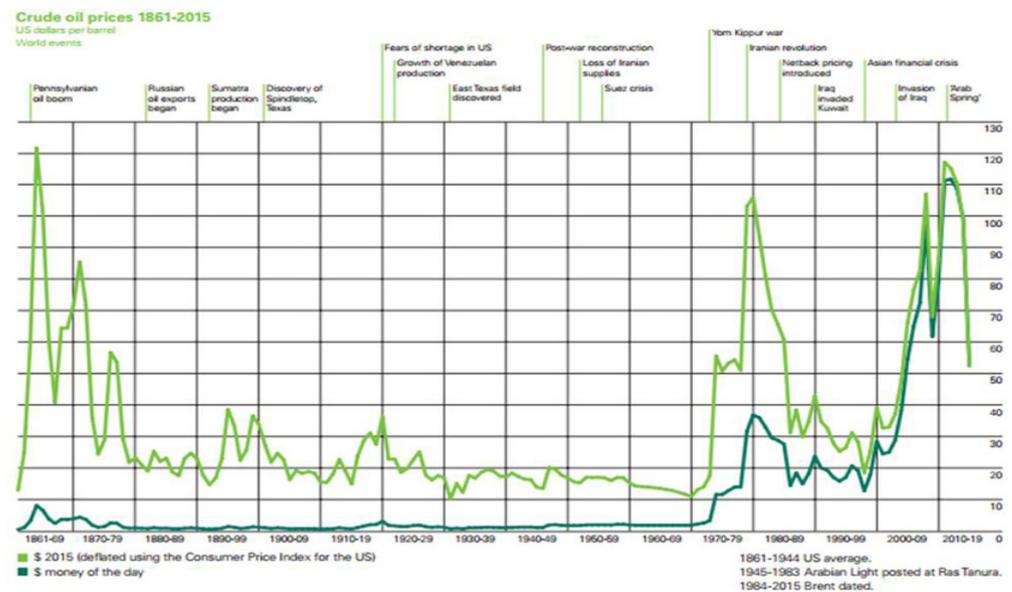
Our story departs from the similarity of oil dependence as the two countries stand at the brink of economic and possibly of political, institutional and social collapse that threaten to flush away recent gains in welfare levels. The countries arrived at this unenviable state of affairs with a remarkable number of similar ingredients. A prolonged oil boom in the 2000s enabled their presidents to amass unprecedented constitutional and informal powers. The personality cult around them made them look dictatorial in all but name. They had effectively instrumentalised their respective political parties, marginalised or co-opted nascent political opposition and opposition in civil society, and they had turned existing institutions of checks and balances into docile servants that would only bite when directed at the President's political opponents – in short, political institutions had withered under the weight of personalised political power. Economically, their countries were as dependent on oil as ever. Despite all their differences, oil wealth was the common denominator setting them apart in their respective regions. The countries' respective leaders chose to use oil rents to strengthen and cement their power, which has brought both countries towards their

ruin today. Clientelism was the model for distributing oil rents, in Venezuela both feeding the new elites – the *boliburguesía* – and the poor through new social programmes, whereas in Angola money served the MPLA-elites and was spent on large infrastructure projects in the country's reconstruction after the civil war. We argue that whereas oil helped Chávez to undermine and deteriorate the Venezuelan democracy, in Angola the effect of oil was that of hindering an incipient democracy and opposition from developing. The effect of the oil boom has thus been that of creating a converging regime path in the two countries.

Angola and Venezuela are among the most oil dependent countries in the world. 96 per cent of Venezuela's income from export comes from oil, while oil accounted for 98 per cent of Angola's export value in 2013. Whereas they started out very different at the start of the millennium, both countries today must be considered authoritarian regimes and over many years power has been concentrated heavily in the presidency under President Santos in Angola and President Chávez (until 2013) in Venezuela. Although today one might wonder the extent to which President Maduro – Chávez's hand-picked successor – is in charge of the government or if it is the military that calls the shots,<sup>1</sup> the decision structure of the regime is not slowed down by the need to pass by bureaucratic or democratic procedures. As regards political culture, Angola as much of Africa, has been described as neopatrimonial and heavily dominated by clientelism. The prime mover of the political economy is the distribution of the oil rents as patronage – where the only way to acquire a share is through submission in the hierarchy under President José Eduardo dos Santos. Venezuela since Chávez has been under what many has described as a populist or even Caudillo rule, which also depended heavily on clientelistic structures. Today, as the result of erratic policies combined with a heavy drop in oil prices since 2014, both regimes are undergoing their respective regions' most dramatic political, economic and social crises.

### Historic oil prices

Source: BP (2016: 14).



The dependency on oil and the perils it entails for development and democracy is not unknown in the literature, or in Venezuela's or Angola's public discourse. Since Arturo Uslar Pietri, the celebrated Venezuelan author, journalist and politician, in 1936 published his article "*Sembrar el petróleo*" in the newspaper "Ahora", the importance of strengthening

1 See, Corrales and von Bergen (2016).

the non-oil economic sectors has been a topic of political and national discussion.<sup>2</sup> Hugo Chávez was therefore not the first to argue for the reduction of oil dependence in Venezuela. Chávez, however, being president since 1998, enjoying considerable presidential powers – on top of a subsequent oil boom – was in a particularly good position to make fundamental changes to Venezuela’s oil oriented political economy. Upon the passing of Uslar Pietri in 2001, Chávez called Uslar Pietri’s recommendation of ending the dependency on oil for ‘wise words from a wise man’,<sup>3</sup> and Chávez would later insist that his government was reforming the economy to reduce its dependence on oil, and talk about the importance of doing so.<sup>4</sup> Yet since 2004, oil has gone from providing 84 per cent of the nation’s income of export to 96 per cent in 2013, the year Chávez died. At the same time oil production has fluctuated, but since the early 2000s production has gone down from 3.2 million barrels a day to the current level of 2.3 million barrels a day, and production level is currently decreasing rapidly. As in Angola, Venezuela used the boom years to borrow enormous sums, which the country struggles with repaying today.

At Angola’s independence from Portugal in 1975, the MPLA party – backed by Soviet and Cuban advisers – set out to build a socialist one-party state. Inspired by the socialist symbolism of the day, they adopted a national banner with an industrial gear and a machete as the centrepiece, representing their dedication to industrial and agricultural development. However, as war broke out immediately after independence the MPLA leadership decided that the emerging oil industry was needed to finance the state. It entrusted the task of negotiating the deals necessary with the Western oil companies to keep oil flowing to Sonangol, the national oil company. By the end of the war in 2002, there was next to no industrial or manufacturing output left in the country. Despite much talk about Angola’s diamonds – the country’s second biggest export product that in 2015 accounted for 87 per cent of non-oil exports – diamonds never made up more than 2 per cent of the country’s total export values. Coffee, which in colonial times accounted for 30 per cent of exports, now collects a mere 1 million USD (CEIC 2016:136). Oil remains, in practice, the “only game in town”.

The “outbreak of peace” in 2002 coincided with the spectacular rise in oil prices, from around USD 20 per barrel in 2002 to four consecutive years of more than USD 100 between 2011–2014. Simultaneously, oil production doubled and reached 1.8 million barrels a day by 2008. The rise in value and volume meant that oil revenues alone brought USD 575 billion to the state coffers during the years 2002 to 2015. With oil as a collateral, Angola borrowed enormously. During all these years, the Angolan government talked about diversifying the economy by expanding other extractive activities, and building the services and industrial sectors. Yet oil reigned supreme. In his end-of-year speech to the nation in 2015, President dos Santos admitted: ‘For a long time we have spoken about diversification of the economy, but we have done so little. Even so, it is better to start late than to never start.’<sup>5</sup>

Despite the clear intentions to reduce oil dependency, neither President Chávez nor President dos Santos were able to do so. These strong-minded authoritarian leaders were

2 A facsimile of Uslar Pietri’s article can be found here: <http://hemerotecavirtualembrarpetroleo.blogspot.no>. Sowing the petroleum has its equivalent in the expression “bonanza development” used on Peru with its plan to use surplus from mining to develop other industries, see Becker (Becker 1983), and also Karl (1997) for a critical discussion.

3 See, <http://www.emol.com/noticias/magazine/2001/03/02/47665/presidente-chavez-lamento-muerte-de-uslar-pietri.html>, consulted August 8, 2016.

4 Find quotations from 2005, 2008, and 2010 here: [http://news.bbc.co.uk/hi/spanish/latin\\_america/newsid\\_4323000/4323509.stm](http://news.bbc.co.uk/hi/spanish/latin_america/newsid_4323000/4323509.stm); <http://www.noticias24.com/actualidad/noticia/21909/tras-10-anos-de-gobierno-se-le-ocurre-reducir-la-dependencia-del-petroleo/>; <http://www.lavoz.com.ar/noticias/mundo/hugo-chavez-visita-rosia>

5 Quoted in Relatório Económico 2015, Angola Catholic University Press, 2016, p.193. (Author’s translation to English).

largely unfettered by any parliamentary oversight, unchallenged in their own parties, and were not hindered by bureaucratic obstacles. Furthermore, Presidents dos Santos and Chávez demonstrated time and time again their will and ability to make bold decisions, if not always smart or democratic, and change the course of their respective nations. In this paper we explore why, under these circumstances that on paper should facilitate policy changes, it has been so difficult for Angola and Venezuela to reform their political economies and reduce their dependence on oil.

### The resource curse – and difficulty of getting out of it

The resource curse literature is abundant, and this section will only briefly define and explain what is the resource curse. We then move on to focus on in particular how the curse works out during boom years, and explain the Dutch disease, before we, leaning on Karl (1997), focus on political factors that during boom years may exacerbate or alleviate the negative effects of the oil curse.

The resource curse, which Ross (2012: 1–10) points out is a mineral curse and more than that an oil curse, was coined by Auty (1993) who points out how countries with rich mineral resources are not able to use these resources to foster economic development, and in fact suffer from lower growth than other countries. Moses and Letnes (2016 (Forthcoming): 3–4) in their study of Norway, the country that to a large extent has avoided the pitfalls of the resource curse, point out that the resource curse results in handicapped economies, easily corrupted polities, and that the discovery and extraction of vast natural resources cause these problems. Rather than focus on the extraction of oil and its revenues, Ross (2012: 5–6) focuses on how the funds from oil are spent. Ross highlights four distinctive qualities that causes the oil curse: the (often massive) scale of oil, which helps governments silence dissent and buy support; the source of the revenues means states do not need to depend on taxing its citizens (from this quality comes the expression “rentier state”); the stability or rather instability of oil prices on the international market (see graph page 6); and the secrecy of petroleum revenues. While the instability of oil prices have clear detrimental economic effects (and may also have political effects), the size and source of the oil revenues facilitate authoritarian practices, and the secrecy facilitates corruption and bad investments, and have both clear economic and political effects.

There are both economic and political explanations of the resource curse. While the economic explanations focus on the so-called Dutch disease, political explanations rest more on the issue of the rentier state.<sup>6</sup> The Dutch disease is the opposite of Uslar Pietri’s famous call for “sowing the petroleum”, by which the discovery of, or favourable price changes (an oil boom) in, natural resources harms other economic sectors such as manufacturing or agriculture, and in the longer run weakens international competitiveness, slows industrialisation and causes distortions in the economy by the simultaneous expansionary growth of services and nontradeables and slow-down of tradeables. Looking at the political explanations for the resource curse, many point to the rentier state. Rent-seeking behaviour is indeed an economic concept which in this context stem from the Dutch disease, and describes how the presence of oil creates a bias towards unproductive behaviour. The rentier state, however, focuses on the income side for the state, and that rents from oil help states and politicians avoid taxing the citizens. The effect of depending on an external income, rents from oil, rather than taxing citizens is that politicians become less accountable to and less constrained by, the citizens and society than politicians in other regimes. Moses and Letnes (2016 (Forthcoming): 10) conclude that this leads to more political violence, civil conflicts, corruption, and less responsiveness to citizens’ needs.

Economist may have us believe that the resource curse due to the Dutch Disease is an economic inevitability. The abundance created by oil revenues increases the value of the local currency, foster rent-seeking behaviour and investments, decreases competitiveness in other sectors, and leads inevitably to a bust either before or after the price of oil falls.

<sup>6</sup> See Karl (1997) and Moses and Letner (2016 (Forthcoming)) for good overviews of these two problems. This section builds on these two contributions.

Political scientists, however, like to focus on politics, politicians, institutions, and leave some room for political action to influence outcomes. The question is which behaviour increases the perils of the resource curse, and what type of behaviour, if any, can hinder being trapped by the resource curse? If anything, Norway provides one example that the resource curse may be avoided, as such the presence, extraction, production and exportation of oil does not determine lower economic growth, higher corruption, less democracy, and more violence.<sup>7</sup> Ross's argument and findings that the oil curse only materialised after 1980, and the nationalisation of oil across many countries, is another indication that the oil curse is not inevitable.

Karl (1997) takes an historical-comparative approach, and focuses on how institutions shape economic outcomes (such as the Dutch disease) and structure political decisions. Focusing on why Venezuela did not escape the resource curse during the pacted democracy (1958–1998) she argues that prior decisions, institutions, international companies, as well as the key aspects of the oil economy created institutions that induced political behaviour that strengthened rather than weakened the oil curse.<sup>8</sup> The key aspects were, and still are, according to Karl (1997: 46–49): economic dependency on one resource, dependence on a highly capital-intensive and enclave industry, dependency on a depletable resource, and dependency on a resource that may yield extraordinary rents that go directly to the state. These key features generate commonalities across all oil-states with respect to the challenges they face, the institutions they create, and the decision-making process. Although not identical, these key features also resemble Ross's focus on scale, source, stability and secrecy. In addition to these given challenges and features, Moses and Letner (2016 (Forthcoming)) add the international context and a nation's unique political institutions when oil is discovered. Although also given, these features may vary between nations.

According to Karl (1997: 92–115), the key features of an oil state, or any state, may be altered during a critical juncture. She talks of contingencies and path dependency, not inevitabilities. A critical juncture is a major watershed in a nation's political life that may alter the political direction for years to come (e.g. Collier and Collier 1991: 28). Even such watershed moments do not happen in a vacuum, but they offer the best opportunity to set a new course instead of reinforcing former practices. Regime change may be such a critical juncture, but a change in government or the state may also offer such critical junctures. In her book, Karl shows how the 1958 regime change reinforced the oil state of Venezuela rather than challenged the state's dependency of oil, and following the logic of path dependency, created a "lock-in" that took the country down a specific oil-fuelled path.

Despite path dependency, and some features given by nature, politicians may make decisions that exacerbate the problems of the resource curse or prevent or diminish them. If we follow Ross (2012), of the four key defining features of the oil curse, at least two depend directly on political decisions: the level of secrecy and the source of income. Politicians may decide to be transparent about oil revenues and how these are spent; and politicians may implement policies to avoid the rentier state linked to the external income provided by oil. In other words, politicians may decide to tax its citizens.<sup>9</sup> Further, nationalization and ownership over the oil resources, its extraction and sales are also decided by politicians. Finally, leaders are not obligated to spend the oil revenues to silence dissent and buy support through clientelistic measures.

Karl in her study supports Ross in focusing on the state and its expansive jurisdiction in oil states (which creates a gap between jurisdiction and capacity). The state becomes big,

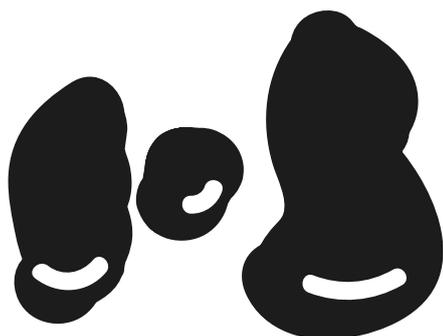
7 Norway, however, seems not fully immune from detrimental effects of falling oil prices. According to news reports, cases of family violence in the oil-city of Stavanger increased this year due to falling oil prices and higher unemployment. See NRK: <https://www.nrk.no/rogaland/oljekrisen-forer-til-flere-familievoldssaker-1.13103083>

8 Karl argues that the petrolization of the policy environment, private vested interests, the rentier nature of the state and the boom effect all structure against escaping the resource curse.

9 OPEC is also an example that prices of oil may be manipulated, and the oil-shock of 1973 is the clearest example that this has been done as well. OPEC, however, held more leverage over international oil prices before our period.

but not effective. This contrasts a weak civil society and hinders adaptation and adjustments to changing conditions. A weak civil society (compared to the state) will be unable to check the use of oil revenues and hold politicians to account. The same goes for political parties and institutions such as Congress. Thus, strengthening these actors may check the worst excesses during oil booms. Further the oil state often becomes highly politicised, it blurs political authority and private economic activity, hinders effective allocation of resources, induces rent-seeking behaviour by state officials, and converts the state into an interest group for oil. Several other political factors may exacerbate the oil curse, such as uncontrolled or exaggerated public sector growth, rapid and uneven public spending during elections, strong authority and powers in the presidency, nationalisation of other industries or economic activities rather than taxing these activities (which requires state capacity), price controls and currency controls. These factors, all present at times in various oil nations, increase rather than decrease the oil curse and the negative consequences it holds over development, democracy, and society as a whole.

Focusing in on several of these factors, this paper will try to show how, contrary to the expressed interest of the countries' leaders, Venezuela and Angola chose a path that increased dependency of oil because oil was the most effective tool for the leaders of Venezuela to strengthen and cement their control of the state. The consequences of these choices were detrimental to democracy, a deepening of the challenges and problems related to the oil curse, and brought the countries on the current brink of collapse we observe today.



## ANGOLA

### Angola from boom, to bust, and to the brink

During the years 2002–2008 Angola enjoyed one of the world's most phenomenal growth rates in the world, averaging 11.1% a year in what leading Angolan economist Alves da Rocha dubbed Angola's 'mini-golden age' (CEIC 2016:331). The phenomenal oil income allowed the state to take the lead in national reconstruction – and in most cases, simply new construction. Since the war, the public investments (mostly in infrastructure) constituted no less than USD 103,7 billion dollars, and on top of that came out-of-budget spending through Sonangol and international credit lines, also no less derived by the spending of oil rents. Chinese, Portuguese and Brazilian construction companies built or fixed thousands of kilometres of roads, a dozen new airports, railways, universities, ports, hospitals, schools, and sports stadiums. All brand new, and all quite haphazard. The oil sector and public investments were the prime drivers of economic growth. The state was, by far, the biggest employer in the country, ensuring that at least some people had wages to increase their spending on goods and services. It was as if everything depended on the national budget and the flow of wealth that ultimately President José Eduardo dos Santos controlled (Soares de Oliveira, 2015).

For all its public investments in agribusiness and industry, and talk of diversification and industrialisation, Angola never managed to jump-start its non-oil sectors properly after the civil war. A very indicative figure is that the production of “beverages” – meaning the low-tech industries of beer and soft drinks production for domestic consumption – accounted for 55 per cent of industrial production in 2015.

With such a low national productive capacity, Angola feeds its economy and its large urban population by resorting to imports in gigantic quantities. Practically every item to be found in Luanda's grocery stores is imported. Total import of goods and services rose from around USD 7 to 55 billion between 2002 and 2014, the peak year. As oil prices dipped, so did imports – and dramatically so. In 2015, Angola imported goods and services for only USD 37 billion USD, a 30 per cent year on year dip. In addition, there is a clear tendency for exports to fall along with the oil price. When the oil price falls, so does the ability of Angola to export non-oil products, as the local producers are dependent on foreign currency to import its inputs (CEIC 2016:135).

A hard blow was dealt to the Angolan economy when international oil prices halved in 2014 (as the MPLA government and President dos Santos regularly point out). In reality, however, the danger signals had been obvious for many years.

Firstly, the international “financial crisis” of 2008–9 meant that Angola had its first balance of payments crisis. Growth halted to 2% in 2009, down from 14 per cent in 2007. Angola's economy never recovered to be “among the highest in the world”, growing only 4 per cent a year on average between 2008–2015 (CEIC 2016:331). This number is actually quite a weak growth rate, given the gigantic tasks of poverty reduction, backlog of construction and maintenance, and especially when taking into account the population growth that stands at 3 per cent annually. Anything below that figure means Angolans on average become poorer every year. The Government's forecast currently expects Angolan growth in 2016 to reach only 1.3 per cent.<sup>10</sup>

Secondly, public indebtedness increased after 2008, and possibly it currently reaches as high as 70 per cent of GDP, up from 16 per cent in 2008 (CEIC 2016:336), forcing the government to set aside a full third of the Revised State Budget for 2016 to service its debt (Expansão, 2016:7).

Thirdly, Angola has the highest rate of price subsidies in Africa, in an attempt to hold prices down. Nevertheless, Angola now has Africa's second highest inflation rate (after South Sudan) with the current year on year inflation rate at 35 per cent, according to the

10 Summary of the 2016 State Budget Revision in August 2016. See Expansão, August 12, 2016.

Angolan central bank.<sup>11</sup> The value of the Angolan kwanza has fallen from around 100 to 165 to the dollar between 2014 and 2016, although the “street value” of kwanza to the American dollar has been in “free fall” since early 2015. By August 2016, the USD was worth around 550 kwanza on the parallel market.

One of the most striking features of Angola is that in spite of its oil wealth, government services are similar to the poorest African countries. Even from this low level, government spending on agriculture, health, education and other social services that are crucial to the poor majority have fallen abruptly – along with the general contraction of state spending in one year (2014–15) of nearly a third (CEIC 2016:30).

Inequality is a striking feature of the Luanda visual scene, and frequently commented on in academic and journalistic literature on Angola (CEIC 2016a).<sup>12</sup> The social consequences of price increases, unemployment and the fall in services are dramatic, and their full weight in terms of falling Human Development Indicators (health, education level, life expectancy) is likely to emerge during the next few years. Currently, Angola ranks 149 out of 188 countries.<sup>13</sup>

### The rise of oil and President dos Santos

In contrast to Venezuela, where a representative democracy (of sorts) took shape in 1958, Angola started out in 1975 with a rapidly expanding civil war that was only to end in 2002. The understanding that oil (and diamonds) fuelled the civil war (Billon 2001) is the one main differentiator between Angola’s and Venezuela’s resource curse complex.

The MPLA, one of the three armed main liberation movements, took power in Luanda and instituted a one-party state on a Cuban-Soviet model. When the MPLA’s leader and the country’s first president, Agostinho Neto, died in 1979, president dos Santos was chosen, ostensibly as a compromise candidate between different factions of the MPLA party. The contrast to Hugo Chávez, who came to power as the country’s most charismatic politician on a wave of words, was stark. Dos Santos was, and still is, soft-spoken, seemingly balanced, and carefully orchestrates each public performance and statement. Yet he proved an astute politician with a will to power.

During Dos Santos now 37 years in power, he led the country through amazing changes: decades of civil war; from war to peace; from a one-party system to a liberal constitution and multi-party elections. He led it from “socialist planning” to a free-market economic paradigm (though both were undermined by war and corruption) and from a beggar nation nearly under UN administration to the champion of “Africa rising”. At the MPLA’s recent 7<sup>th</sup> Party Congress in August 2016, the dos Santos personality cult reached new heights. In a foregone conclusion he was re-elected party president with 99.7% of the vote, with his image occupying the larger part of the podium’s decoration.

Yet his longevity was not a predetermined fact. Dos Santos manoeuvred through a myriad of challenges, but always came out on top. As government oil wealth ultimately proved superior to the UNITA rebels’ diamonds during the “resource war” of the 1990s, the control over the oil wealth also gave dos Santos the edge over all other rivals. The centrality of oil as the key to dos Santos’ enormous power in Angola has been emerging for a while (Hodges 2004, 2008), but has been most elaborated in Ricardo Soares de Oliveira’s scholarship (2007, 2015). The basis was the grip that dos Santos came to acquire, at least since the 1990s, over Sonangol. While the company was geared to keep oil revenues flowing by keeping external partners happy, the company was ultimately controlled by the President

11 <http://www.bna.ao/>

12 See for instance “Dwindling Assets: Oil, Inequality and Angola’s Emerging Fault Lines” by Azevedo-Harman and Jelembi in *World Politics Review*. <http://www.worldpoliticsreview.com/articles/15603/dwindling-assets-oil-inequality-and-angola-s-emerging-fault-lines>

13 <http://hdr.undp.org/sites/default/files/ranking.pdf>

and his close group of advisers – a “parallel” government nick-named the Futungo.<sup>14</sup> Dos Santos’ close collaborator and close relative Manuel Vicente, currently Angola’s vice-president, was the head of Sonangol from 1999 to 2012. Dos Santos was always wary of the mighty military’s threat against his power. As often pointed out, the new oligarchy in Angola is a mixed civil-military one – reminiscent of the Venezuelan “boliburguesía”. Many members grew out of the military brass, others were party aparatchiks and some technocrats rose to prominence. Common to them all is that dos Santos allowed them to become extremely rich essentially by converting national/public wealth into private property – in a process often labelled “primitive accumulation” that was hailed as just that by dos Santos himself.<sup>15</sup> In return, he seems to expect full subordination, as no MPLA party member has ever challenged him without suffering a severe career setback.

Dos Santos inner family is also important in the web of power. In 2012 his son José Filomeno was appointed to the presidency over the USD 5 billion “Sovereign Wealth Fund”. His daughter, Isabel dos Santos, has publicly assumed the role as “Africa’s richest woman” accredited to her by Forbes Magazine – and has for years been a dominating figure in the telecom, banking, energy and property. In June 2016, dos Santos appointed her as the new company head of Sonangol itself – thus removing any doubts as to his wish to control the company. This entanglement of dos Santos entire family with his own political power is crucial for understanding his reluctance to leave power and why he has instead chosen to amass power to feel secure – and the subsequent difficulties that will arise when he eventually must go.

Dos Santos and the MPLA do embody a lot of historical legitimacy as liberators and the victors of the civil war, but ultimately the spending of oil wealth is the *sine qua non* of their power. Every year and every day, Angolans’ experience that if you want to have a job, a scholarship, a construction or business license, get a loan in the bank – you better be a member of the Party or show submission to its demands. The opposite, showing opposition, may be very harmful for your opportunities and career. In return, the patron (the President) and the party has promised – and delivered – real opportunities that for the past 15 years benefitted an ever larger degree of the urban population. Yet for the majority of the population, the increasingly lofty promises were unmatched by a similar increase in their material well-being. While wealth became abundant for a small elite and the buying-power of the urban employed classes increased for real, life in the country-side, in particular, changed relatively little. The economy and the political system depended on the constant distribution of oil money, neatly captured in the MPLA’s slogan for the 2012 elections: “Grow more and distribute better”. The simplicity of the patronage system is also its weakest point: It is one pyramid of patronage that everyone knows, and the more patronage to distribute, the easier to keep the system together. However, as many an African neo-patrimonialist rulers have experienced, it is very hard to keep power when the sources of patronage become significantly scander (Bratton & van de Walle, 1997).

Quoted by Soares de Oliveira (2015:216) Angolan economist Manuel Ennes Ferreira said that ‘the only opposition party able to unseat the MPLA is the oil barrel’. The remark captures the widespread notion that all opposition has been defeated, but also that the real Achilles heel of the system is the oil price. For a decade and a half, the combined effects of massive and systemic corruption (bringing Angola to sixth place on TI’s Corruption Perception Index), and giant increases in public spending meant that there were plenty of

14 The group is often thought to comprise people such as Minister of state and Head of presidential security General “Kopelipa”, Manuel Hélder Vieira Dias Júnior; Vice-President and previous CEO of Sonangol, Manuel Vicente; chief adviser of dos Santos and Kopelipa, General “Dino”, Leopoldino Fragoso do Nascimento; and Head of Military security and intelligence services (SISM), general António “Zé” Maria. For their special role as the most profiled children of President dos Santos, one may also include daughter and billionaire business-woman Isabel dos Santos, and his son José Filomeno dos Santos – by many thought to be groomed as a candidate to take over after JES himself. A number of generals who have been switching between ministerial posts and provincial governorships also clearly belong to the “outer rim” of the “inner circle”.

15 In his 2013 state of the nation speech he praised the concept of primitive accumulation.

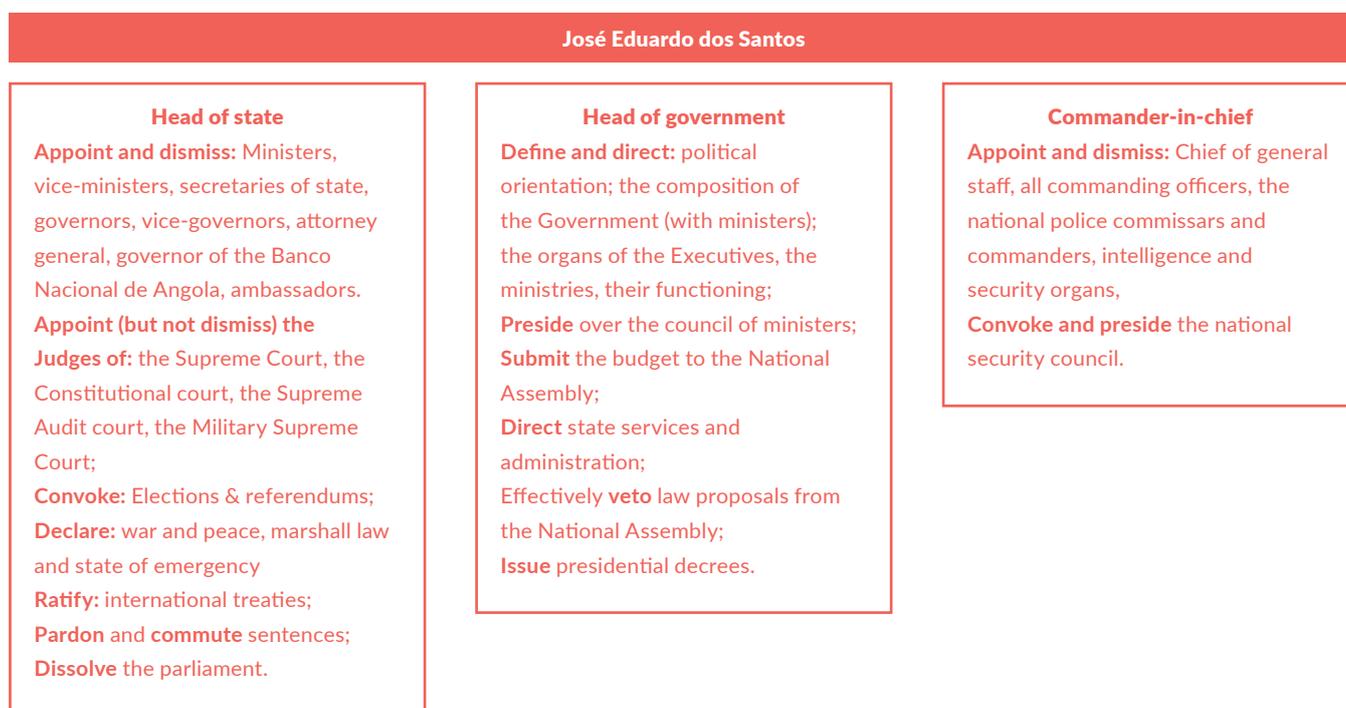
opportunities for people to “catch a ride” with the system and actually build better lives. Now that these opportunities are vastly reduced, the system is creaking in the joints. Hundreds of thousands of teachers, nurses, police officers, traditional authorities and other public servants are not being paid in time. Therefore, they resort to absences, boycotts and all sorts of destructive schemes.<sup>16</sup>

### Shaping the institutional landscape in the President's interests

After having defeated their main rival UNITA militarily in 2002, the MPLA won a parliamentary super-majority with 82 per cent of the votes in the first parliamentary elections after the war, in 2008. With this majority, the MPLA single-handedly voted for a new Constitution, which came into force in 2010. In 2012, the MPLA won another victory with 72 per cent of the votes, which also returned<sup>17</sup> José Eduardo dos Santos to the presidency. The opposition parties contested both elections as manipulated and erratic, yet the opposition eventually acknowledged the MPLA victories.

The 2010 Constitution was a watershed. MPLA used it to write up a new Constitution that cemented and formalised the prerogatives and powers of the President of the Republic, in the person of JES. It gives him enormous powers as head of state, head of government and commander-in-chief. The figure below summarises this exceptional array of presidential powers, according to the 2010 constitution:

#### Presidential powers in Angola



The president has unfettered control over the entire state and public sector apparatus. In addition, a most unusual Constitutional Court accord from 2013 decides that since the Parliament and the Executive (which title holder is the PR) are two separate sovereign powers, the National Assembly cannot demand to hold the President to account, nor any of his representatives (the Ministers). As we shall see in Venezuela, the parallel is clear, where the Executive power is so hostile to checks and balances, that even the National

<sup>16</sup> Orre witnessed the rapid advance of these tendencies on a recent field work in Angola.

<sup>17</sup> Dos Santos was never elected directly by the people. In 1979 he was elected by the MPLA party under the one-party system. In 2008 there were legislative elections only. In accordance with the 2010 constitutional provisions, he became president in 2012 as the head of the party list (MPLA) that received most votes. Manuel Vicente, number 2 on the MPLA list, became vice-president.

Assembly of the people's elected representatives is wing-clipped by the Executive's control of the Judiciary. Finally, there are no local elections in Angola,<sup>18</sup> so the President and his governors appoint the entire local administration apparatus (Orre 2010). With minimal local administrative autonomy and local participation, Angola stands as one of the most centralised states of the continent. The crucial point here is that, unlike Chavez' "constitutional revolution" after 1999, the 2010 constitution in Angola merely reconfirmed dos Santos existing powers, albeit giving him a few new tools when needed.

Clearly, the Presidential powers are so vast that it is very hard to imagine that any part of the political elite will allow anyone else to capture the Presidency under the current constitution. A looming crisis on the horizon is thus succession (Azevedo-Harman and Jelembi 2015). In its idiosyncratic mechanism of presidential "election",<sup>19</sup> dos Santos became president in 2012 after the MPLA won the parliamentary elections. Hence, he will head the MPLA's electoral list in 2017. The necessary nomination of the MPLA's candidate will bring the issue of the next leadership on the agenda and it could precipitate the next political crisis in the country.

At the same time, dos Santos and the MPLA remains in vigilant control of the electoral process. In an apparently unconstitutional measure and to the protests of the opposition parties, the Angolan government decided to remove the voter registration administration from the hands of the National Electoral Commission (CNE), supposedly an independent organ, to the hands of the Executive (the Ministry of Territorial Administration). For these reasons, the 2017 elections are gearing up to be contested elections once again, perhaps more contested than any other did since the war.

Civil society and the media in Angola long been held back by the weights of marginalization under the state sector, and by the control mechanisms of repression, ostracism and cooptation (Vidal & Pinto de Andrade 2009, Faria 2013, Chabal & Vidal 2008). A main heritage of the MPLA state's one-party days is their inherent tendency to attempt to control every organisation of the country, in practice if no longer in law. This is the case with labour unions, youth and women organisations as well as teachers' guilds. Organised religion is possibly the most contentious issue of battle in the public space – one too vast to expound here – and is taking place over the control over churches and religious communities. As many a journalist has experienced, there are few attempts at direct censorship, but the mechanisms of economic pressure and co-optation are frequently practiced. With a geographic concentration in the largest cities, the media and civil society organisations find it very difficult to reach out to the peripheral areas. In practice, the rural areas suffer a virtual media blackout were it not for the state radio. Thus, knowledge and criticism of corruption and injustices travels more slowly in the rural areas. The control of information in Angola is, as has been the case in Venezuela, a major issue for the political regime. Before 1975, there were only embryos of a civil society in some Angolan cities, as colonial society barred most Africans from any chance of independent organisation. The subsequent years of a one-party rule, war, authoritarianism and systematic clientelism proved a very difficult environment for the growth of civil society.



18 There has been a constitutional provision for holding local elections and creating autarquias since 1992 (renewed in the 2010 constitution), but it has never been implemented, nor is there any known calendar or legal regulation for doing so.

19 According to the 2010 constitution, the person heading the party-list receiving most votes becomes the President of the Republic. In this way, dos Santos avoided having to run in separate Presidential elections that would have exposed him to competition, comparison and criticism both from the opposition and his own party.

## VENEZUELA

### Venezuela on the Brink

Unlike Angola, where the political economy of war was as dominant as that of oil well into the 1990s, Venezuela was an archetypical oil state for the best part of the last century. Today's situation in Venezuela is, if one could believe it, even direr than in Angola. The country is going through what looks to be its worst bust period in modern history. The deterioration of the economic, social, political and even humane situation has gone so quickly that official statistics on the situation are already out-dated.<sup>20</sup> Media reports, both national and international,<sup>21</sup> paint a bleak picture. Based on studies done in Venezuela, they expected inflation to surpass 500 per cent in 2016 (some report over 1000 per cent in foodstuffs) and 1600 per cent next year.<sup>22</sup> Poverty is higher than ever (registered at 76 per cent, up 50 points in four years).<sup>23</sup> Malaria has increased (as the only country in the region), incidents of diphtheria are back, and an unknown number of people are affected by the zika virus. The health system is not able to deal with these problems in part because the lack of medicine is between 70 and 90 per cent.<sup>24</sup> Levels of nutrition are down although not reaching levels where we can yet speak of hunger.<sup>25</sup> There are increasing debt problems and a possible default on the horizon,<sup>26</sup> and GDP growth is negative for the third year in a row.<sup>27</sup> There are huge electricity problems and oil production itself is dwindling more rapidly than ever.<sup>28</sup> Ordinary people may wait in lines several hours a day waiting to buy food, and

20 Which only adds to the problem of the lack of public statistics on many economic and social indicators the last few years.

21 For an overview and summary of the international press reports, see Deutsche Welle, 22.08.2016: <http://www.dw.com/es/el-colapso-del-chavismo/a-19492711>

22 IMF predictions: <http://blogs.wsj.com/economics/2016/07/18/venezuelas-inflation-is-set-to-top-1600-next-year/>

23 See ENCOVI 2015: <https://politikaucab.files.wordpress.com/2016/02/encovi-vivienda-y-servicios.pdf>

24 See for instance <http://www.lapatilla.com/site/2016/03/01/urge-ayuda-humanitaria-para-garantizar-los-derechos-a-la-salud-y-la-vida/>

25 See for instance <http://prodavinci.com/2016/02/19/actualidad/luis-pedro-espana-los-anuncios-de-maduro-no-van-a-detener-el-alza-de-la-pobreza-estructural/>

26 See analysis here: <http://www.bloomberg.com/news/articles/2016-07-04/venezuela-refuses-to-default-few-people-seem-to-understand-why>

27 CEPAL predicts a detraction of 8 per cent in 2016 (CEPAL 2016). IMF estimates negative growth at least until 2019. See, [https://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx?sy=2013&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=75&pr1.y=17&c=299&s=NGDP\\_R,NGDP\\_RPCH&grp=0&a=](https://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx?sy=2013&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=75&pr1.y=17&c=299&s=NGDP_R,NGDP_RPCH&grp=0&a=)

28 See e.g. <http://prodavinci.com/2016/08/21/actualidad/francisco-monaldi-el-fracaso-de-la-politica-petrolera-no-es-atribuible-a-la-democracia/>

the country is being drained of people and talent.<sup>29</sup> Although the situation of crisis is of relatively new date, Venezuela under the Chávez revolution has been an underperformer in terms of economic growth and even in terms of poverty reduction.<sup>30</sup> Yet, Venezuela, as Angola, has gone through the largest oil boom since the mid-1970s. Between 2003 and 2013 prices rose from around 20 USD a barrel to over 100 USD a barrel, with a minor fall only in 2009 when it was on average 57 USD a barrel (see graph on page 6 and Monaldi 2015). While new to Angola, boom and bust cycles are nothing new in Venezuela, and while the boom effect over time has tended to recede, the bust continued strong creating over time a downward spiral (see Moreno and Shelton 2014: 264–266 for an analysis of boom and bust in the non-oil sector). It is therefore not surprising that the current bust period should be stronger than previous ones. Yet, as political science oriented theories of the resource curse point out, political choices may influence the dependency on oil, the gravity of the oil curse, and thus the management of both a boom and a bust. Political decisions and the management of oil in Venezuela also matter. In the early 1990s with oil prices between 30 and 40 USD a barrel (2015 USD) Venezuela managed positive, but uneven, growth, while today growth is predicted down 8–10 per cent in 2016 even though oil prices are higher. Further, looking at comparative evidence, we find that the disaster in Venezuela is far beyond what is found in other resource dependent countries in the region. Ecuador, where oil rents stand for 17,5% of the GDP as compared to Venezuela's 23,8% (in 2012) (Trinkunas 2016), is expected to have a negative growth of 2,5% of GDP in 2016 compared to Venezuela's 8–10 per cent negative growth. And other oil producers such as Colombia, Mexico, and Bolivia are expecting positive growth in 2016.

In other words, there is nothing inevitable about the current disaster in Venezuela. The next section turns to how Venezuela under Chávez (and later Maduro) made decisions that would aggravate the oil curse, rather than as promised by Chávez, alleviate the dependency on oil.

### How Chávez changed everything ...

Chávez and his MVR (Movimiento Quinta República) won power in 1998 and started a transformation of Venezuelan politics and society. Chávez, however, did not come to power in a vacuum, his movement and victory was a strong reaction to the failures of the fourth republic and the oil-infused Punto-Fijo regime.<sup>31</sup> Even though Chávez's self-proclaimed revolution was a popular reaction to the past, the past and its oil legacy, as demonstrated by Karl (1997) on earlier regime changes in Venezuelan history, clearly also weighed on the incoming government. Regardless of the weight of the past, if anything can be described as a critical juncture, Chávez's entrance to power qualifies as one.

With Chávez Venezuela not only got a change in government, but also a regime change with a new Constitution, accompanied by symbolic, and even some considerable material, changes to the Venezuelan state. Chávez was able to write a new Constitution through a Constituent Assembly was dominated by his party with 90% of the representatives (Briceño 2013), a party that until 1998 had not been represented in national politics in Venezuela. The Constitution changed important institutions in the country giving more power to

29 Venezuelan asylum applications to the US are up 270% from 2014/15 to 2015/16, see: <http://www.pewresearch.org/fact-tank/2016/08/04/venezuelan-asylum-applications-to-u-s-soar-in-2016/>; see also "Venezuela's decline prompts exodus" at Financial Times: <https://www.ft.com/content/b47b51ce-65fd-11e6-a08a-c7ac04ef00aa> (behind paywall). The Brain Drain of academics has increased dramatically during the full Chávez-era, with peaks around 2002/03, 2005, and every year since 2012, see Requena and Caputo (2016).

30 For economic growth and inflation compared to Peru, Chile, Colombia, Argentina, Brazil and Mexico, see Monaldi (2015). Venezuela has lowest growth and highest inflation among all countries between 1998 and 2013 (before the crisis set in). For social indicators under Chávez and a critical analysis, see Ponce and González (2015), but also Freije (2014, 2008) for a discussion on methodological issues of poverty measuring in Venezuela.

31 For the oil-infused pact, see Karl (1987), for the failure of the regime, see its dissection in Hausmann and Rodríguez (2014).

## Presidential powers in Venezuela

the president, closing one chamber in Congress, creating more opportunities for direct democracy – this had no parallel in Angola – among a host of other changes.

Hugo Chávez Frías		
<p><b>Head of state</b></p> <p><b>Appoint and dismiss:</b> Vice-president, Ministers, vice-ministers, secretaries of state, governors, vice-governors, attorney general, ambassadors.</p> <p><b>Reelection:</b> One immediate until 2009, no limits after 2009.</p> <p><b>Declare:</b> war and peace and state of emergency, curtail civil liberties</p> <p><b>Ratify:</b> international treaties;</p> <p><b>Pardon and commute</b> sentences;</p> <p><b>Convoke</b> parliament extraordinarily, referenda, and Constitutional Assemblies.</p> <p><b>Dissolve</b> parliament under some specific conditions</p>	<p><b>Head of government</b></p> <p><b>Define and direct:</b> political orientation; national development plans; the composition and acts of the Government (with ministers); foreign policy, the armed forces, the organs of the Executives, the ministries, their functioning;</p> <p><b>Preside</b> over the council of ministers;</p> <p><b>Submit</b> the budget to the National Assembly;</p> <p><b>Direct</b> state services and administration;</p> <p><b>Issue</b> presidential decrees.</p> <p><b>Power of initiative</b> of laws</p>	<p><b>Commander-in-chief</b></p> <p><b>Appoint and dismiss:</b> Chief of general staff, all commanding officers, the national police commissars and commanders, intelligence and security organs,</p> <p><b>Convoke and preside</b> the national defence council.</p>

Further, the new elites that came into power, all came from the outside. The new rulers consisted of a civil-military alliance that hitherto had no governing experience, and the regime changed from being a civilian democracy to a civil-military (sort of) democracy (Corrales 2014).<sup>32</sup> The old party elites of AD (Acción Democrática) and COPEI (Comité de Organización Política Electoral Independiente) were already discredited due to the failings of the fourth republic, the disastrous massacre Caracazo in 1989, and the impeachment and fall of President Carlos Andrés Pérez in 1993. There was therefore a quite rapid turnover in governing elites as well as a regime and government change. The main labour organisation sustaining the *partidocracia* and the governing pact (CTV: Confederación de Trabajadores de Venezuela), was also weakened after Chávez entered power, and as such another part of the old governing elite that sustained the fourth republic was stripped from power (Ellner 2005). Institutionally, the Chávez governments enjoyed a majority in Congress from the very beginning until the December 2015 parliamentary elections, and since the early 2000s the government also controlled the Supreme Court (Cánova González et al. 2015). With a strengthened presidency and control over the other institutions, Chávez had the power to make good on his words to enter a new less oil-dependent era. In 2002/2003 following the failed coup against his government and a series of strikes and lock-outs that crippled the economy, Chávez fired nearly 60% of the PDVSA's personnel in order to take a stricter political control over the state oil company (Corrales and Penfold 2011: 22–23).<sup>33</sup> Its management was entrusted to the most loyal technocrat Rafael Ramirez, who served as PDVSA's head and Minister of Energy and Petroleum from 2002–2014. These changes gave the government full control over the oil sector in Venezuela, and enabled the direct distribution of oil resources as patronage through amongst other things increases in social spending and services. Finally, although early on the Chávez revolution was self-

32 Some of the radical leftists that made up the Chávez coalition had been longtime intellectuals and public figures in Venezuela, but most of them had not been part of the ruling coalition under the fourth republic.

33 PDVSA: Petróleos de Venezuela S.A. The Oil company was nationalised in 1976 under Carlos Andrés Pérez first stint as president and during the oil boom in the 1970s. The nationalisation of PDSVA was the culmination of state control in the oil industry, a process that started in 1943 with the Hydrocarbons act, see Karl (1997).

pitched as moderate ideologically (Chávez compared himself early on to Tony Blair and Bill Clinton) and he and the revolution only became officially socialist in 2005, his entrance to government clearly brought with it a new set of thoughts and a new ideology for how to run Venezuela.

Summing up, Chávez's entry to government constituted a government change, a regime change, and at least partially a change in important state structures as well. It was a critical juncture, and less dependence on oil, more redistribution and better times were promised. Other conditions given by external events were also propitious for a change. When Chávez entered government in 1998 oil prices were rock bottom at around 10 USD dollar a barrel. Low prices should make it easier to avoid some of the pernicious effects of the oil curse, reduce the importance of oil in the economy, the attraction of oil, and also, all else equal, increase the likelihood of making a major change of direction.

### ... yet so much remained the same: the oil curse under the revolution

Although the goal and promises were present, almost every important step and decision the Chávez governments took, slowly dug the revolution's grave by aggravating rather than alleviating the problems associated with the oil curse. Following Karl (1997), this section focuses on the state and power relations between institutions, the politization or depolitization of the state and expansion (or not) of state jurisdiction. Then, following Ross (2012) and partly also Karl (1997), we turn to the issue of oil revenues, the seccies revolving them, and the rentier state.

Karl (1997) argues that lack of real democratic competition, which was circumvented by the political pact between the country's elites, served the oil state (at the same time as oil revenue secured the pact), weakened accountability and control, and increased excesses, corruption and waste. Especially during President Carlos Andrés Pérez's (CAP) presidency during the oil boom years, 1973–1978, these issues became apparent when even the internal controls in the pacted system were circumvented by a strong personalistic presidency and excessive presidential powers through states of exception. In the end, faith was given to one person (CAP), and the parties were weakened. The 1999 Constitution exaggerated the worst features of the boom years in the 1970s in a period of low oil prices. The Bolivarian constitution, by most accounts, created the strongest presidency in Latin America (Corrales 2010: 30–33, Negretto 2013: 262). Aided by constant majorities for Chávez's party in Congress, the weakening of parties in the opposition, and split in the labour organisation (CTV), internal accountability was weakened even further under Chávez. The already strong presidency was strengthened even further by extensive decree rule or *leyes habilitantes* under Chávez, a practice that was continued and augmented after the opposition returned to Congress in 2012. Although the increased use of elections could have worked as a vertical check on government, the lack of opposition and alternatives to Chávez for many years rendered the mechanism for vertical accountability without effect. Whereas parties during the pacted democracy were strong and could to some extent put checks on the president, and constant negotiations between the two dominant parties would also temper presidential rule, Chávez's party MVR was from the start a personal vehicle for Chávez, and Chávez's "personal authority became decisive" (López Maya 2011: 217). Chávez did make attempts at institutionalising a new party, the PSUV (Partido Socialista Unido de Venezuela) in 2007, but it too was dependent on the leader's authority. Parties then, as partially occurred during the oil boom under Carlos Andrés Pérez, could not perform a check on the president and the party leaders.

During the pacted democracy the main labour organisation, CTV, was to a large extent co-opted by the parties, it was nevertheless a strong organisation with political clout during in this period. Instead of the old unions, the participative democracy under Chávez promoted popular organisations such as Bolivarian circles, and to some extent received support early on from autonomous parts of civil society. However, as López Maya (2011) points out, many of them were established on presidential initiative. Many were also state sponsored and participation was skewed towards members of the PSUV (Handlin and Collier 2011). Further, many of these organisations were designed to address local issues, welfare issues, etc. and had little centralised control (except for maybe in the government/presidency). Thus, the lack of autonomy and the concentration of PSUV supporters in

the new civil society organisations in addition to dispersion and lack of central authority, weakened civil society's ability to provide any check on the spending on oil revenues.

Karl also argues that the extension of state jurisdiction and the politisation of the state increases dangers of the oil curse. PDVSA, the state oil company, became target for both the opposition and the government, and after the strikes and lock-outs in 2002/03, the government won control over the state oil company. Due to the political conflicts surrounding the strikes and the coup attempt in 2002, which also involved the issue of control over PDVSA, Chávez fired about 60% of the personnel. This converted the state company into a political tool for the executive. Increasingly, its resources were used as patronage to fund social expenditures. The Chávez government also funded other countries' governments through PETROCARIBE. Finally, PDVSA itself was used for clientelistic purposes and ended with a bloated payroll.<sup>34</sup> The oil bureaucracy in PDVSA then became increasingly political rather than technical, so that also in this sense it went in the same direction as Angola, something which clearly influenced the efficiency of the company. With PDVSA pressured to give privilege to spending on the political clients of the "bolivarian-chavista" movement, gradually investments and maintenance in the oil sector suffered, dwindling production resulted (Monaldi 2015). The politisation of the state, the increased presidential powers combined with reduced ability to hold the government to account, increased the risk of corruption. The use of the oil company to use oil as patronage to win absolute control of the state secured the regime's survival, but undermined in the long run, democracy and the economy.

Ross (2012) highlights that secrecy surrounding oil revenues is a key distinguishing feature of an oil state. As with low accountability and high presidential power, it increases the risk of corruption, and other ills. The Chávez government increased considerably the secrecy surrounding the oil revenues. In particular with the set-up of FONDEN (the National Development Fund). FONDEN was financed through taxes and with contributions from PDVSA and put under the national development bank (Corrales and Penfold 2011: 54–60), which was under direct control of the presidency without any parliamentary oversight. PDVSA was also used for purposes of patronage and as an extra-budgetary fund to finance social programmes (Rodríguez, Morales, and Monaldi 2012). In 2011 29% of the fiscal contributions of PDVSA went to FONDEN, a fund without any oversight, and a new windfall tax in 2011 was set to increase these contributions, and hence the revenues exempted from oversight. Thus, secrecy surrounding oil revenues increased tremendously under Chávez. In addition, increases in contributions to FONDEN, which depended on oil prices, would also decrease contributions to municipalities and regular state agents. These contributions, all secret, then also weakened other state and local agents vis-à-vis the presidency.<sup>35</sup>

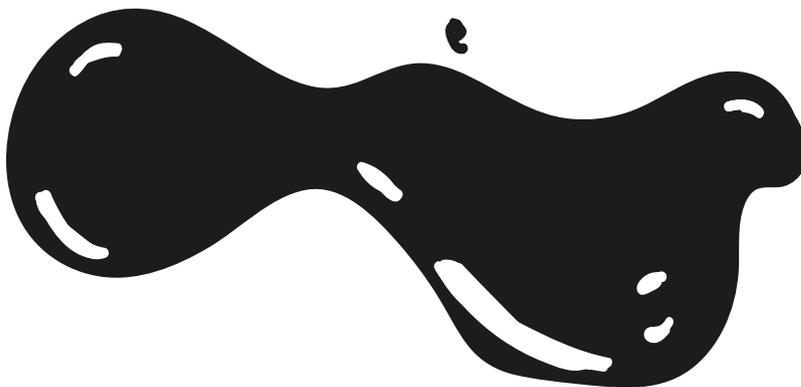
Throughout the Bolivarian revolution oil became ever more important, and the non-oil economy shrank in importance. Government took a larger share of the net oil-revenues, which increased to 87.3% in 2004–2008 (highest ever, and up from 67.6% in 1990–2004) (Rodríguez, Morales and Monaldi, 2012: 5). Oil as share of export earnings reached 95–96% according to World Bank and OPEC statistics, up from 84% in 2004, which also constitutes record levels historically. Oil revenues also reached record levels when it comes to share of GDP, constituting over 20% of GDP in 2004–2009. Oil became ever more important, and Venezuela strengthened its characteristics as a rentier state. This development is linked to the development in the non-oil economy, where Karl (1997) argues that nationalisations, and expansion of the state, harms the non-oil economy and thus aggravates the oil curse. The currency controls and increased use of price controls since the 2002/03 protests, also slowly wrecked the non-oil economy, and nationalisations in areas such as production of medicine, agriculture, non-oil industry, non-oil minerals, finance and other areas worked to increase the state jurisdiction, presidential control and debilitate any other production

34 Corrales finds that employment expanded by 256% between 2005 and 2015. <http://foreignpolicy.com/2015/05/07/dont-blame-it-on-the-oil-venezuela-caracas-maduro/>

35 For estimations of how much money went through FONDEN see Corrales and Penfold (2011: 54–60) and Rodríguez et al. (2012).

than oil.<sup>36</sup> Despite increasing dependence on oil revenues, non-oil direct taxation did not decrease, and constitutes about 9% of total revenues, but it is considerably lower than the average in Low income countries (13%). The Venezuelan governments under Chávez, nevertheless, also augmented the rentier character of the state by basically destroying the non-oil economy, and hence relying its economy even more on revenues from oil.

In sum in all variables that affect the gravity of the oil curse, Venezuela aggravated rather than alleviated the oil curse under the Bolivarian revolution. On top of that, and adding to the current disaster, is the increased debt-load during the boom years that was unsustainable even in the boom period.



36 For a list updated until 2012, see Reuters: <http://www.reuters.com/article/us-venezuela-election-nationalizations-idUSBRE89701X20121008>

## CONCLUSIONS: CONVERGENCE OF TWO OIL STATES IN CRISIS

The assessment of the these countries' trajectories during the last two decades – from the beginning of the oil boom to the current bust – reveals two broad conclusions, one economical and the other political. In both senses, Venezuela became more like Angola. Politically, power became ever more concentrated in the Executive branch, subverting what existed of constitutionally granted checks and balances and subjugating opposition – and increasingly power became personalised in the hands of the president. Economically, Venezuela's economy became ever more dependent on oil and up to the same levels as Angola, as the logics of rent seeking and rent distribution crowded out other productive sectors. Both countries were therefore exceptionally ill equipped, economically and institutionally, to meet the challenge of a crumbling oil price.

The countries' dependence on oil marks the recent histories of both Angola and Venezuela. On the one hand, the exceptional wealth stemming from that one resource, dwarfing all others, always provided the potential of the executive – and even the president in person – to grow out of control. We have argued that strong leaders in both countries *chose* to use the oil wealth to i) build support through patronage and systemic clientelism and ii) to personalise power to weaken institutions and democracy. On the other, the same external factor (the variations in the price of oil) heavily affected the countries and the leader's ability to balance the largesse and repression, much more so than in countries without similar resource rents. As oil prices crumbled, repression turned harsher in both countries, especially in Venezuela.

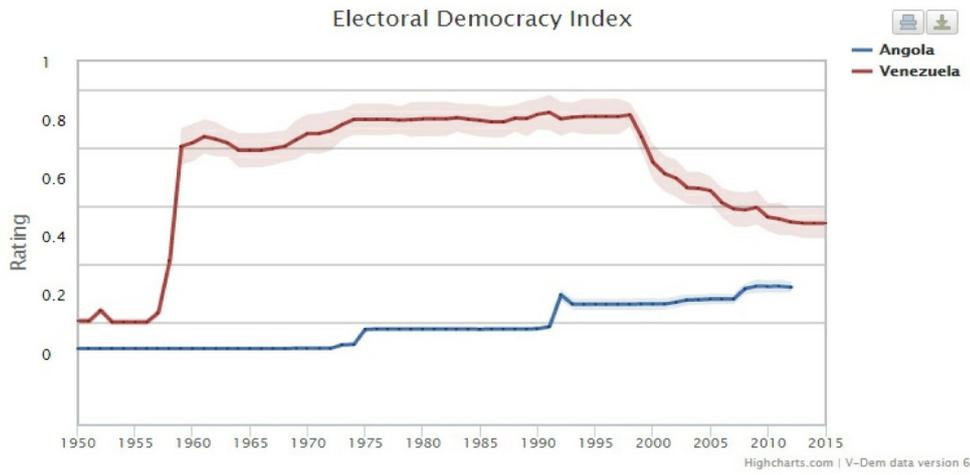
### Dwindling democracy

The 1980s and 90s was a dramatic period for both countries, when they experienced relative economic stagnation and even decline. Angola went through a devastating civil war, while popular revolt and military coups signalled political instability in Venezuela. The years 2002–3 marked a watershed for both countries. Peace settled in Angola, and in Venezuela President Chávez consolidated his power after the failed coup and boycott campaigns against his government. At that crucial time, the rapid rise in world oil prices opened hitherto unheard of financial possibilities for the two governments. The “astronomical” rents from the oil extraction now meant that the rulers of these countries could splash money and patronage in all directions: on political clients at home and internationally (friends and foes alike), on spectacular public infrastructure, on ambitious welfare programmes and on a multitude of prestige projects. Chávez even found money to provide “foreign aid” to poor neighbourhoods in the USA, and Angola's government discussed acquiring aircraft carriers and financing a space programme.

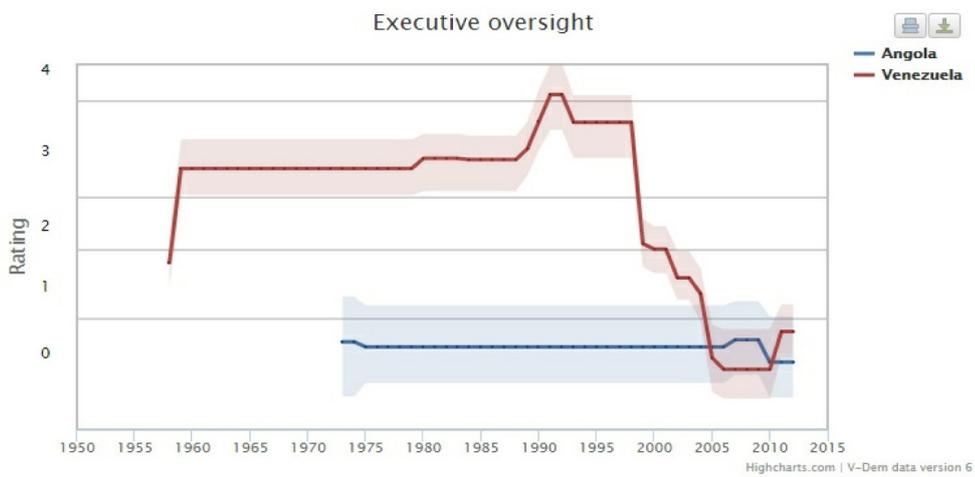
The oil boom made enormous financial resources available to the Executive of both countries, so oil influenced and enhanced Angola and Venezuela's regional ambitions and foreign policies. The boom years increased the regional importance of both countries, and their newly gained regional political importance is in itself an important reason for studying and comparing the countries.<sup>37</sup> The international financial crisis in 2008 and the first dip in oil prices for nearly a decade – followed by immediate fiscal stress on both countries' treasury – should have brought some realism to the over-ambitious spending-spree and made the dangers of oil dependence abundantly clear (Jensen & Paulo 2011). When it did not, it precipitated a crippling economic crisis that has now lasted for two years, and which is important to study and compare.

Due partly to the different point of departures of the two countries, Angola coming out of a civil war, while Chávez taking over from a liberal, yet failing, democracy, the distribution of oil rents during the oil boom had different effects on democracy in the two countries.

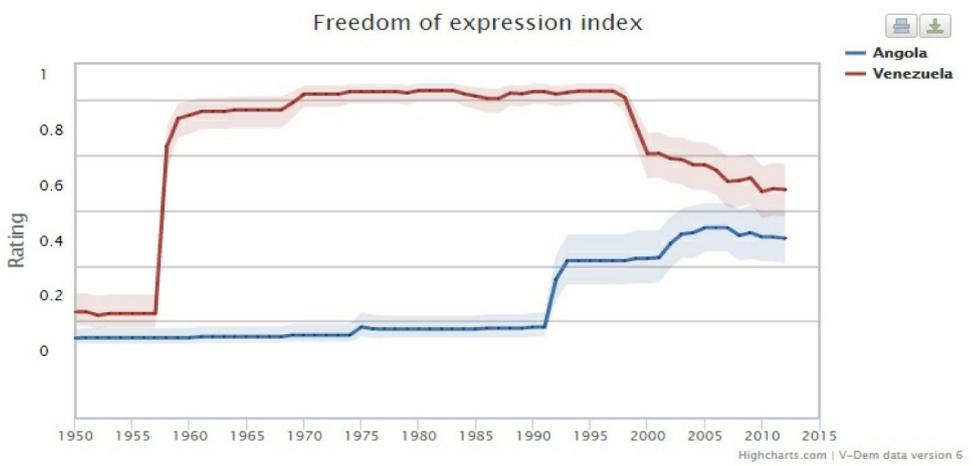
37 A next step in our proposed research is to look at how oil influenced the regional ambitions of Angola and Venezuela through the boom and bust years.



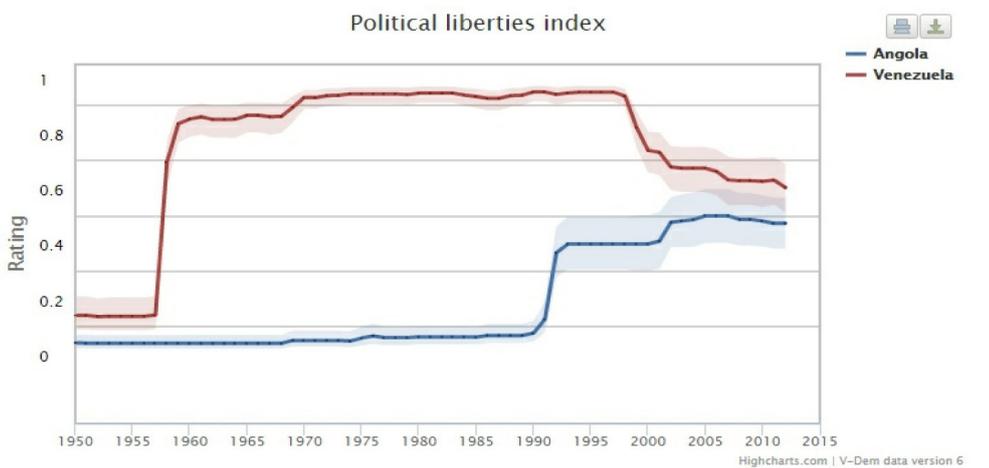
**ELECTORAL DEMOCRACY INDEX**



**EXECUTIVE OVERSIGHT INDEX**



**FREEDOM OF EXPRESSION INDEX**



**POLITICAL LIBERTIES INDEX**

The V-dem project offers one of the few democracy measures allowing for cross-country and across-time comparison of democracy on a multitude of variables.<sup>38</sup> We chose to compare the countries as far back as 1950, thus capturing the changes occurring with the transition from the Pérez Jiménez dictatorship to the “pacted democracy” in 1958. Thus, we clearly see the series of graphs capturing the rapid improvements in democratic quality in 1958 in Venezuela. The series of graphs is one expression of how the political project of Chávez resulted in deteriorated democracy, even during the top oil bonanza years. Chávez’ use of oil rents to secure his grip of power has led Venezuela’s scores on democracy to levels similar to those of Angola, and to levels not seen since before the pacted democracy – as brought out by the V-dem indexes on electoral democracy, executive oversight, freedom of expression and political liberties.<sup>39</sup>

In Angola no similar effect is discernible, but here oil helped dos Santos secure his grip of power, hindering the development of the democratic institutions outlined in the liberal Constitution, even as peace and the oil boom after 2002 created the “objective conditions” for it. In Angola, the first spike of improvements take place with the introduction of a liberal constitution in 1991 and the first multiparty elections in 1992, only to be overtaken by the resurgence of civil war in late 1992.

These graphs are interesting in two ways. The diachronic comparison of Venezuela strengthens our assertion that the political use of oil resources put Venezuela on the brink of disaster, and Angola on the path of economic stagnation and deepening human misery.

While oil has been central to Venezuela’s political economy for at least half a century, it is only after the Chávez revolution that the rents were used in a manner that clearly deteriorated democracy. The politically decided distribution of oil rents in Venezuela to weaken opponents and mechanism of accountability, and as patronage to shore up support for the regime, is what helps explain the deterioration of democracy in Venezuela, not the constant presence of oil. The fact that the deterioration of democratic institution, as well as the economic crisis and scarcities in Venezuela, started before the fall in oil prices in 2014 also attest to the political, rather than mere economic, explanations of the deterioration of democracy and the economy.

Furthermore, the comparison between Angola and Venezuela show that distribution of oil rents may yield different effects on democracy yet creating converging paths of democracy levels for both countries. A strength of paired comparisons is exactly that it may help tease out different paths, or equifinality, to the same outcome, and thus also shed light on theory (George and Bennett 2005). In Angola, it depressed any potential democratic improvements, while in Venezuela democracy deteriorated.

The similarities go beyond the graphs. In Angola, no similar convulsions that challenge the constitutional order have taken place – since the Executive has remained in firm control of both the Legislative and Judiciary branches (see graph 3, on “executive oversight”). Some negative changes seem to have taken place around the time of the first post-war elections in 2008 and with the introduction of the new Constitution in 2010. After the end of period recorded in the V-dem graphs (2012) the negative changes have happened on at least three fronts, as indicated above in the chapter on Angola. Firstly, more economic power seems to have been concentrated in the presidential family. Secondly, still more power has been placed in the Executive branch, and thirdly, opposition stemming from the non-party parts of civil society has been met with heavy repression.

In Venezuela, opposition’s principal demand during all of 2016 was for the electoral authorities to organise a referendum to recall Maduro from the Presidency – a constitutional right introduced by Chávez. In October 2016, the chavista-loyal electoral authorities ruled out the possibility of a recall referendum, and postponed regional elections to an unknown

38 See <https://www.v-dem.net/en/>. Varieties of Democracy is a major scholarly project to produce better indicators of democracy for nearly all countries. It claims a team of 50 social scientists working with more than 2,500 country experts, many per country. The graphs we reproduce here are produced by the inputs of the panel of experts.

39 The dataset for Angola ends in 2012.

date in 2017. In September 2016, the Supreme Court, also controlled by the Executive, finally ruled the opposition-dominated parliament devoid of all powers.

It is striking that Venezuela anno 2012, when Chavez died, and more so in 2016, looked a lot more like Angola, than Angola at any point looked like a Latin-American democracy. Venezuela has in fact become the negative outlier in Latin America in terms of political, economic and social deterioration.

### The economics of “no alternatives”

Going beyond the issue of democracy, trajectories are converging. Vice versa, Angola anno 2016 has started to take on the economic characteristics of a Venezuela's. Its economic policies are not as extreme, but they go in the same directions: Futile currency and price controls that almost no one respect, a seemingly haphazard approach to payment and non-payment to international and domestic creditors, ineffective import barriers that slow up existing production without stimulating alternatives, and constant undermining of local production through massive imports of subsidised products. Without any realistic alternative sources of financing the state – and all and everything that have come to depend on state spending – the Angolan state now seems to have become reduced to managing the crisis. All large-scale development plans therefore seem left behind. The editor of *Expansão*, Angola's leading business and economy newspaper expressed it thus: ‘In the short run, Angola doesn't have the instruments of economic policy to reverse the difficult situation it is in, so that the only thing left for us is to pray that the price of oil rises’.<sup>40</sup>

*It is striking that Venezuela anno 2012, when Chavez died, and more so in 2016, looked a lot more like Angola, than Angola at any point looked like a Latin-American democracy.*

During the years of oil boom, investors and capital from high and low, old and new powers, flocked to both Venezuela and Angola. Now, both countries are severely tainted by a business climate that seem to discourage investment by both foreign and domestic capital. Nepotism, endemic corruption and institutional uncertainties such as foreign currency policies play into this. On the World Bank's ranking of countries according to their climate for “doing business”, Angola ranks 181 and Venezuela 186 out of 189. The dilemma, or tragedy perhaps, is therefore that the oil economy – that brought the havoc in the first place – now appears to be the only way the leaders can fathom recovery.

### The cult of the president

The fact that no other Latin American or African president has been able to amass such personal power and build such a cult of personality as that of Chávez and dos Santos, is another venue for comparison. This characteristic, fuelled by oil, is a mechanism through which the access to vast oil resources affects democracy. Only a few outliers with their own history-bound political capital could nearly match them, like Castro on Cuba and Mugabe in Zimbabwe, but none could command so lavish a spending power. Oil rents distributed as patronage was the necessary ingredient to the spectacular rise of personalistic presidential power in Angola and Venezuela. Yet, despite this similarity, it seems that the personal power of Chávez and dos Santos have different origins, pointing towards different pathways to the same outcome. While Chávez created his own party as a personal vehicle, and the distribution of oil wealth helped him strengthen the personality cult surrounding him. Early on dos Santos was only one of several potential leaders of the mighty MPLA party. His rise to personal hegemony depended on his ability to use oil wealth to overrule his party.

### The new elites

As an example of the contrary, there are certainly parallels in the ways dos Santos and Chavez created a limited court of power around them who they allowed to be extravagantly

rich. On the civilian side, they placed a technocrat and close confidante as the managers of the state oil company (Manuel Vicente and Rafael Ramirez, respectively) and clever but servile jurists to write up a suitable legal apparatus which would help tilting the playing field against the opposition. On the military side, they depend on a few hard-headed military brass with a civilian coating to ensure the continued loyalty of the military (Generals Kopelipa and previously General Miala, and Diosdado Cabello). All of these have proven expendable as the president supreme no longer needed their services, or felt that their growing power was uncomfortable.

### The looming succession crises

Finally, there are also clear policy-motivated reasons for studying these two countries and the effects of oil. Oil, although a depletable resource, is not going away soon, at least not in Venezuela, and there are lessons to be learned from the disaster called Venezuela for both Angola and other oil dependent countries. The political crisis has come further in Venezuela and in Angola people have reportedly drawn relief in the knowledge that “at least we are not Venezuela” – although followers of Angolan politics sense the undercurrents that drag the country closer to same situation. The political crisis in Venezuela installed itself as Chávez lay on his deathbed in 2012. His political legacy – the personalisation of power combined with weakened political institutions – meant that his death would inevitably result in uncertainty and political conflict. Chávez handpicked Maduro as the next leader. Even so, president Maduro is now a historically unpopular president. Yet, the “Bolivarian-chavista” block failed to field any alternative, and so seems to have opted to block all constitutional-institutional paths towards a transition. In Angola, dos Santos is getting older, and he has announced that he will retire from “active politics” in 2018. While all observers agree that he is somehow preparing his own departure from power, no one can quite see when or how. Yet it is clear that just as no one could possibly inherit Chávez’ personal constitutional and informal powers, no one can inherit dos Santos’ either.

A period of political and institutional turmoil therefore seems inevitable in both countries. For now, Venezuela seems to have moved farthest towards systemic collapse. Hence, analysing and learning about the perils of the excesses of power in Venezuela is essential for avoiding a similar disaster in Angola and other places. Similarly, Venezuelans could have benefitted from knowledge about Angola, as Chávez took Venezuela’s institutions to a place where Angola had long been.



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**Angola and Venezuela are among the most oil dependent countries in the world.** When oil prices fell in 2014, these states lost half of their income base. A combined economic, political and social crisis followed. The acute problems in both countries, however, originate in the political economy that developed through decades of the black gold bonanza. Angola and Venezuela are very different polities, yet aside from oil dependency, the countries also share many traits: Authoritarian and presidentialist rule, political polarisation, deindustrialisation, import dependency, weak civil societies and the astronomical corruption levels.

This paper will discuss the gravity of the situation in the two countries and their deep roots in the political economy of oil. We argue that in many respects, the decline in Venezuela's institutions made it take on many of the forms and shapes that for some time had characterised Angola. Above all, the Venezuelan presidency came to take the form of a personalised hegemony imbued with a self-styled Constitutional legitimacy, much like what was already in place in Angola. We here argue that among the many expressions of the "resource curse" in these countries, there was always an element of crucial political choice: the leaders always chose to revert to the oil rents as the primary way of underpinning their increasing personal power at the expense of existing or de jure institutions, and increasing oil dependency.

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