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History's Against Him

By Francis Fukuyama

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Early on in Hugo Chávez's political career, the Venezuelan president attacked my notion that liberal democracy together with a market economy represents the ultimate evolutionary direction for modern societies -- the "end of history." When asked what lay beyond the end of history, he offered a one-word reply: "Chavismo."

The idea that contemporary Venezuela represents a social model superior to liberal democracy is absurd. In his eight years as president, Chávez has capitalized on his country's oil wealth to take control of congress, the courts, trade unions, electoral commissions and the state oil company. Proposed legislation that would limit foreign funding could soon constrain nongovernmental organizations as well. And people who signed a recall petition against Chávez in the run-up to a 2004 referendum on his rule later found their names posted on the Web site of a pro-Chávez legislator; if they worked for the government or wanted to do business with it, they were out of a job and out of luck.

Chávez's success in attracting attention -- cozying up to Fidel Castro's Cuba, signing an arms deal with Russia, visiting Iran and incessantly criticizing the United States -- has popularized the notion that Chavismo embodies a new future for Latin America. By preserving some freedoms, including a relatively free press and pseudo-democratic elections, Chávez has developed what some observers call a postmodern dictatorship, neither fully democratic nor fully totalitarian, a left-wing hybrid that enjoys a legitimacy never reached in Castro's Cuba or in the Soviet Union.

Latin America has indeed witnessed a turn to this postmodern left in some countries, including in Bolivia, where Evo Morales, Chávez's kindred spirit, won the presidency last year. Nonetheless, the dominant trends in the hemisphere are largely positive: Democracy is strengthening and the political and economic reforms now being undertaken augur well for the future. Venezuela is not a model for the region; rather, its path is unique, the product of a natural resource curse that makes it more comparable to Iran or Russia than any of its Latin American neighbors. Chavismo is not Latin America's future -- if anything, it is its past.

How did Venezuela end up at such a pass? The answer is oil, oil, oil.

The country's modern political order was negotiated in a Miami hotel room in 1958 by leaders of its two traditional political parties; the resulting pact created a viable democracy that provided stability for four decades. But stable politics did not make for sound economics. With the growth

of oil revenue through the 1970s, Venezuela was relieved of the need to create a modern non-oil economy. Commodities that the country once exported -- such as coffee and sugar -- soon withered. And rather than foster social mobility or strong public institutions, the two political parties bought social peace by distributing oil rents through subsidies, government jobs and patronage.

Venezuela did not suffer the Latin American debt crisis of the 1980s, a trauma that in many ways inoculated countries such as Brazil, Mexico and Peru from relapsing into the worst forms of economic populism. Instead, Venezuela experienced a disastrous decline in living standards as oil prices fell during the 1980s. The country had never been part of the global economy -- aside from the energy sector -- and had no competitive industries to fall back on. Chávez and others on the left blame Venezuela's problems on globalization and "neoliberal" economic policies, but with the brief exception of the opening attempted by President Carlos Andrés Pérez in the late 1980s and early 1990s, the country never truly sought to globalize its economy.

There is more continuity between the pre-Chávez and Chávez eras than proponents of either would like to admit. The recent rise in oil prices has again exempted Venezuela from the laws of economics. The Chávez government has imposed a blizzard of regulations controlling the exchange of currency, setting prices, limiting the ability of employers to hire and fire, and mandating trade and investment deals based on political considerations -- all of which further undermine Venezuela's weak private sector. Yet, because of its hefty oil revenue, Venezuela's economy has grown sharply over the past two years. The irrationality of Chavistanomics will not be felt until oil prices fall.

Venezuela's peculiar history shows why Chávez does not represent the region's future. Countries such as Brazil, Mexico and Peru, lacking Venezuela's oil resources, know that they cannot get away with such dysfunctional policies; they experimented with them and were burned. It is no accident that postmodern authoritarianism is most successful in oil-rich countries such as Iran, Russia and Venezuela. While Bolivia's Morales aspires to be another Chávez, it will soon dawn on him that his country's natural gas is not a fungible commodity like Venezuelan crude oil. Morales's only real customer is Brazil, which he has already alienated through his nationalization of the heavily Brazilian foreign energy investments.

The dominant political forces in Latin America, while bringing to power a new generation of politicians on the left, run counter to those in Venezuela. Central banks and finance ministries throughout the region are much more capable than in the past of maintaining sound monetary and fiscal policies, and even left-leaning presidents such as Brazil's Luiz Inácio Lula da Silva and Argentina's Néstor Kirchner are not inclined to stray far from economic orthodoxy.

In contrast to Chávez's politicization of Venezuela's institutions, Mexico has made its Supreme Court and Federal Electoral Institute politically independent. Brazil and Colombia have increased the autonomy of local governments, permitting experiments in budgeting and education; and Brazil and Mexico have undertaken programs to increase the incomes of the poor while giving them incentives to keep children in school.

There are already signs of an anti-Chávez backlash. While the Venezuelan president rails at U.S.

interference in Latin politics, he has tried to promote populist allies such as Ollanta Humala of Peru and Andrés Manuel López Obrador of Mexico. Venezuela's neighbors resent this, and have punished the Chavista candidates at the polls. Indeed, Chávez may well have cost López Obrador the Mexican presidency, since the number of votes the latter lost because of dislike of Venezuelan interference probably exceeded the small margin by which he lost the election.

Chávez's popularity among Venezuela's poor is based on his social policies. He has begun innovative initiatives, such as a network of health clinics in low-income neighborhoods, where Cuban doctors treat the poor. He has created subsidized food outlets that equalize the prices paid by rich and poor. And he has attempted to distribute land to peasants. Some of these policies, such as the clinics, meet pressing social needs and should have been undertaken long ago; others, such as the food subsidies, will be hard to sustain absent high oil prices.

A response to Chavismo must recognize that populism is driven by real social inequalities. Proponents of economic and political liberty in Latin America are often suspicious of grand social-policy experiments, perceiving them as a road to bloated welfare states and economic inefficiency. But free trade alone is unlikely to satisfy the demands of the poor, and democratic politicians must offer realistic social policies to compete.

Social policy is, unfortunately, difficult to get right: Unless it creates incentives for the poor to help themselves, it can become an entitlement that breeds dependence and out-of-control fiscal deficits. In Brazil, Lula's government took over a program of income transfers to the poor but in the process weakened enforcement procedures obliging parents to keep their children in school. And market policies are no panacea: Even Chile, which has extensive high-quality private education, saw huge student protests this spring because of the low quality of its publicly funded schools.

Democratic governments in Latin America must also work patiently at enhancing the quality of their public institutions -- improving simple things such as issuing business licenses, enforcing property claims and controlling crime. There is no cookie-cutter solution; it often requires local-level experiments, such as the Brazilian city of Porto Alegre's "participatory budgeting" initiative from the early 1990s, which opened the budget process to civil-society groups and forced politicians to show where the money was going. Bad public administration saps economic growth and delegitimizes democratic institutions, paving the way for violent swings and backlash.

Last December, a bridge on the road connecting the Venezuelan capital to its international airport collapsed, diverting traffic into the mountains and stretching a 45-minute journey into one lasting several hours. A two-lane emergency highway now bears this traffic; renovation of the bridge is still months away. The bridge epitomizes what is happening to Venezuela today: As Chávez jets to Minsk, Moscow and Tehran in search of influence and prestige, the country's infrastructure is collapsing.

The postmodern authoritarianism of Chávez's Venezuela is durable only while oil prices remain high. Yet it presents a distinct challenge from that of totalitarianism because it allows for democratic choice and caters to real social needs. At a recent conference of business leaders here, I

witnessed many speakers openly criticize Chávez; their remarks were cited in the mainstream media. There is no police state in Venezuela -- at least not yet.

Chavismo remains a threat. But it need not embody Latin America's future, not if the region's democrats can reduce economic inequities through innovative social policy and nimble public institutions. Of course, such developments would not mark the end of history. Just the end of Chavismo.

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