

## Why is the growth of Venezuela's energy economy not remarkable? —Analytical perspective based on economic modernization-industrial alliance-property rights system\*\*

Song Yiming Zou Yiting

**Abstract:** Venezuela has obtained considerable economic benefits through large-scale oil exports. However, like most energy-rich countries, it has fallen into the predicament of slowing economic growth, stagnation or even recession. In this regard, this article is based on previous research. This paper uses an analytical framework with the starting point of economic modernization as the independent variable and the industrial alliance form and property rights system type as the intermediate variable to explore the reasons for Venezuela's slow economic growth. The research shows that Venezuela is a typical country that started the economic modernization process late, and the government frequently adopts It adopts a direct and proactive "catch-up" model to control the economy, especially large-scale promotion and intervention in the development of the oil industry. This has led to the fact that on the one hand, the strength of its oil industry alliance is much stronger than that of other industry alliances, and on the other hand, it has established a strong foundation in the oil field. The national property rights system. Therefore, the Venezuelan oil industry has the ability and ease to pay excessive taxes and foreign exchange at the request of the government, directly provide excessive subsidies to other industries, influence elections, and engage in interest exchanges with politicians. In these three pathological effects Under the influence of the oil industry, the Venezuelan government and politicians have become highly dependent on the oil industry, which inevitably led to the country's eventual formation of a "super-scale" oil industry structure. Due to this, it is difficult for Venezuela to continue to promote the industrialization process and industry domestically. Upgrading, externally, it continues to bear the negative effects of violent fluctuations in oil prices, and

eventually falls into economic slowdown and stagnation. **Keywords:** energy economy, Venezuela's economic modernization

industry alliance, property rights system About the author: Song Yiming, Doctor of Laws, School of International Relations, Beijing Foreign Studies University  
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Energy exporting countries with a late start to modernization often adopt a "catch-up" development model in which the government directly and strongly intervenes in the economy. This model helps to spawn powerful energy industry alliances and establish a national property rights system in the energy field in the short term. Powerful countries The energy industry alliance and the implementation of a national property rights system in the energy field make the energy industry capable and necessary (inevitable) to contribute excess tax remittances, provide excessive subsidies, and influence election results. This in turn makes the government and politicians highly dependent on the energy industry, which is inevitable. This will lead to the country eventually forming a "super-scale" industrial structure in the energy industry. Such an industrial structure will drag down the subsequent industrialization process at the domestic level and amplify the negative effects of energy price fluctuations at the international level. The economic growth of the

country affected by this will tend to Slow stagnation. Based on the above analytical framework, this article attempts to explore the historical roots and industrial logic of the slowdown and stagnation of Venezuela's energy economy. This article analyzes it from four aspects: The first part traces the conditions and process of Venezuela's economic modernization, and roughly clarifies its economic modernization. The second part explains the energy industry alliance form and property rights system type that accompany the starting point of economic modernization. The third part analyzes the political effects of the energy industry alliance form and property rights system type, and observes whether Venezuela has finally formed a "super energy industry". "Scale" industrial structure. The fourth part explores the impact of this industrial structure on Venezuela's economic growth in recent years. The fifth part is the conclusion.

### Towards Modernity: The Conditions and Process of Venezuela's Economic Modernization

After independence, Venezuela has long been subject to the negative influence of the Caudillo-style presidential system at the political level. The state capacity is weak and the national autonomy is low. At the economic level, Venezuela mainly relies on cocoa, coffee and other crop cultivation as its pillar industries, manufacturing Venezuela's industrial development was obviously lagging behind. This situation changed at the end of the 19th century, when a series of positive factors that were conducive to Venezuela's economic modernization process emerged one after another.

First of all, the country's national capabilities were significantly strengthened during the administration of Juan Vicente Gómez Chacón, which provided the basis for Venezuela's economic modernization. This is specifically reflected in the following three aspects. First, the initial establishment of a centralized system in 1908 Gomez came to power in a military coup

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Later, it ended the successive Caudillo wars and territorial divisions, and achieved unprecedented centralization in the country's history. Second, the armed forces were rapidly strengthened. In 1910, Gomez carried out a comprehensive reform of the armed forces, trying to consolidate them. It was built into a force with a clear chain of command. In the same year, Gomez established the General Inspectorate of the Army, which was responsible for the administration of the armed forces, and created the police force and intelligence agencies. Third, the fiscal and taxation system was significantly reformed. Between 1913 and 1922, Finance Minister Román Cárdenas promoted a series of administrative reforms, striving to completely ban private collection of rents and transfer taxation power to the central government. Under Gomez's rule, Venezuela's domestic political structure and administration have had significant improvements in the system, and it has basically become a modern country in terms of administrative capabilities and national governance. Secondly, the growing demand for Venezuelan products from European countries and the United States has led to a rapid increase in Venezuela's foreign trade, and accelerated domestic industrial changes and economic structural transformation. In the 19th century, affected by the Industrial Revolution in the 1970s, demand for Venezuelan products in Europe and the United States increased significantly, which provided favorable external conditions for the emergence of Venezuela's manufacturing industry. In 1890, Venezuela's trade surplus reached 53 million bolivars, and exports of agricultural products and other raw materials. The growth rate reached 40%. Thanks to the prosperous foreign trade, modern manufacturing industry appeared in Venezuela. By 1893, 286 factories had been established. During the First World War, Venezuela became the product production base of Europe. From 1914 to 1919, Venezuela's exports to various belligerent countries increased from 70 million bolivars to 200 million bolivars, and the manufacturing industry was further stimulated. It can be said that the growth in trade demand provided the basis for the early development of the manufacturing industry. As a driving force, Venezuela's leading industry began to transition from agriculture to manufacturing, and its economic structure transformed accordingly.

Finally, the development of the domestic commodity economy has brought about innovations in production relations and changes in production structures. On the one hand, the development of manufacturing has been accompanied by the popularization of wage labor. Compared with before, labor mobility under wage labor is stronger. The economy is also more dynamic. On the other hand, the long-term accumulation of Venezuela's commodity economy has promoted the flow of rural residents to cities. Some landowners and businessmen who were originally engaged in coffee and cocoa production and export turned to the service industry, import trade and industry. This shift has resulted in a new middle class

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[English] Edited by Leslie Bethel, translated by Hu Yuding and others: "Cambridge History of Latin America" (Volume 5), Beijing: Social Science Literature Press, 1992, pp. 694-695.

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It has become one of the richest countries in Latin America. Since the 1920s, the Venezuelan economy has

The economic growth rate has increased significantly, which is another important manifestation of its economic modernization.

Finally, the total population of Venezuela has increased, the urban population has increased, and the national infrastructure has continued to improve.

This is specifically reflected in the following aspects. First, the population growth rate is accelerating. In the 20th century, Venezuela

In the first 10 years, the population growth rate showed a downward trend, but after the 1920s, the population growth rate began to increase.

By the end of the 1940s, the growth rate was close to 4%. Second, the population mortality rate gradually decreased. The 1915 Committee

The mortality rate in Venezuela has accelerated to . By 1950 it had dropped to 108% . Third , urbanization speed

216%. In the first half of the 20th century, Venezuela experienced the fastest urbanization in Latin America. The urban population accounted for

The ratio rose rapidly from 20% in 1920 to 48% in 1950. The population of the capital Caracas was

During this period, the number exceeded 1 million. At the same time, other towns were also expanding rapidly, such as the city of Lagunillas

The population increased from 982 in 1920 to 13,922 in 1936. Population growth accelerated, deaths

Reducing the economic growth rate and increasing the urbanization rate have become important manifestations of Venezuela's economic modernization.

This study can investigate the changes in industrial structure, changes in economic growth rate and population changes.

to judge the rough starting point of the economic modernization process.

Existing research has also discussed the starting point of Venezuela's economic modernization process.

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Luis Ricardo Dávalos y Imaginario Político Venezolano y Caracas: Alfa Ediciones 1992 p 57 Author on February 2, 2022

An interview was conducted with Wang Fei on the 0th. Wang Fei reported this to Zhang Sen, a Latin American economic historian.

Gen Consulting and the latter's response. Zhang Sengen's response is shown in the text.

lifestyle, thereby entering the track of economic modernization. In addition, Jonathan John (Jonathan John) and many other scholars believe that Gomez's rule and the discovery of domestic oil resources in the 1920s Promoted the rise of Venezuela's economic modernization. Other studies have looked at the role of the food industry in a broad sense in the 20th century, became the most important industry in Venezuela in the 1940s, pointing out that this node is the country's economic current situation.

The starting point of modernization. Based on the above analysis and comprehensive consideration of the views of the above-mentioned scholars, it can be concluded that Venezuela The process of economic modernization started around the 1920s, which belongs to the "second wave of semi-modernization" Country Therefore, within the scope of world history, Venezuela is a country that started the process of economic modernization relatively late. Typical latecomer country

## 2. Venezuela's petroleum industry alliance form and petroleum property rights system types

Venezuela's oil industry began to sprout at the beginning of the 20th century, and until the 1970s it was basically dominated by Western countries. Dominated by FOCAC, Venezuela is one of the earliest countries in the world to discover and exploit oil. As early as Before Spanish colonization, local indigenous tribes used asphalt as glue. 5. During the reign of Gomez, the government The government leased land to a number of foreign oil companies, including Venezuela Development Company, Petroleos de Venezuela, Field Exploration Company, General Asphalt Company, Royal Dutch Shell Company and Standard Oil Company. In 1914, Petrocaribe, a subsidiary of Royal Dutch Shell, discovers huge oil reserves in Venezuela In 1922, the Rockefeller Group's Indiana Standard Oil Company and the Mellon Group's Marine Corporation

Ye Chengcheng, Tang Shiping: «Modernization beyond the "Great Divergence": Comparative study of history, methods and theories from the perspective of time and space» Published in "Academic Monthly", Issue 5, 2021, Pages 77-86.

He Yanyan, Wang Yanyan: «The Accumulation and the State in Venezuela: A Study of the Process of Economic Modernization» pp 211-214 The author conducted an interview with Jin Xiaowen on March 16, 2022. He introduced different opinions on the starting point of Venezuela's modernization. same study, but generally agree with the judgment that the 1920s was the starting point of Venezuela's economic modernization.

In the 1940s, the Venezuelan food industry attracted 54-71% of the total labor force. Number of food companies There are more than half of the number of enterprises. For details, see Juan Pablo Pérez Sainz and Paul Zarembkaý " Accumulation and the State in

Ye Chengcheng, Tang Shiping: «Modernization beyond the "Great Divergence": Comparative study of history, methods and theories from the perspective of time and space» Published in "Academic Monthly", Issue 5, 2021, Pages 77-86.

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The main characteristics of the "mobilization system" described by Apter are: 1. From independence in the 19th century to the present, Venezuela has experienced three political system changes, namely the Caudillo presidential system, the Punto Fijo regime, and the electoral authoritarian system. Political system. These three political systems all have the characteristics of focusing on the acquisition and maintenance of authority and the concentration of social resources to achieve economic growth. Caudillo created his own political hegemony through control of the military and public finances, and used top-down control methods to shape the political system. A stronger, more modern economy. A major pillar of Punto Fijo's regime was the government's pursuit of catch-up economic growth through subsidies and protectionist import-substituting industrialization. As the industrial economy grew, the government adopted complex parastatal enterprises. The power of planning agencies and networks to guide economic and social life is also growing. 5 Under electoral authoritarian regimes, the essence of "21st century socialism" proposed by Hugo Chavez is to develop the economy with the support of the state and carry out socialist reforms for the poor. Economic redistribution and political integration. In addition, governments under the above three political systems are accustomed to using their control of social resources to consolidate their own power. The "mobilization system" is constantly being consolidated in Venezuela. Under the "mobilization system", governments often It will take charge of everything and concentrate all human, material and financial resources to promote industrial development and economic growth.

Finally, the late start of economic modernization in Venezuela means that private commercial capital in Venezuela is relatively

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Countries with a late start to economic modernization urgently need to integrate social forces to achieve economic growth, so they pay more attention to the issue of gaining authority, and then choose to establish a mobilization system that is easier to suppress society. For details, see David Apter [US] Chen Yao Translation: "Modern Politics", Shanghai: Shanghai People's Publishing House,

2016, pp. 15-29. Although Venezuela's nominal government system is always a presidential republic, this general division method does not help describe the country. The changes and the most important characteristics of the country's political system. To this end, this study divided the Venezuelan political system as above based on the existing research. For the study of the Caudillo political system, see [Germany] Wolf Greberdoll Hu's book, translated by Qi Chu: "Where is Latin America Going?", Beijing: Current Affairs Press, 1985, pp. 96-97. For research on the Punto Fijo regime, see Xu Feng: "The Punto Fijo System in Venezuela" Creation, Institutionalization and Its Defects», Published in "Latin American Studies", Issue 4, 2018, Pages 100-104, Gao Bo: «Development Trap from the Perspective of Power Structure——Based on the analysis of Venezuela's "Punto Fijo System" "Analysis", published in "International Political Research", Issue 1, 2020, pp. 26-35. For research on electoral authoritarian regimes, see Wang Xiaoyue and Tian Tian: «The expansion of international oil trade and the consolidation of electoral authoritarian regimes——Based on a comparative study of Venezuela and Kazakhstan», Published in "Foreign Affairs Review", Issue 4, 2016, Pages 78-82, Yonatan L Morsej "The Era of Electoral Authoritarianism" in World Pol iticsy Vol 64y No 1y 2012y pp 164 -165y

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In response to scarcity, government-led capital raising and investment is imperative. Paul Bayrock's per capita industrialization index shows that Venezuela has been in a state of capital scarcity for a long time in the 20th century. This is also reflected in the number of commercial banks in the country and the scale of deposits. In 1913, Venezuela had only three commercial banks and per capita deposits were only US\$12, ranking third from the bottom among Latin American countries during the same period. In view of the difficulties encountered in mobilizing domestic resources for capital accumulation, the Venezuelan government began to use regular issuance of foreign bonds as a financing method to promote domestic economic growth. In order to compensate for the private capital Serious shortages, insufficient credit facilities and other problems, the Venezuelan government promoted the development of the energy industry by increasing public expenditures. The proportion of the country's public sector participation in capital formation increased from 32% in 1973 to 122% in 1983. In short, the extreme level of private funds Lack of resources has become a serious obstacle to the development of Venezuela's capital-intensive oil industry. Therefore, it is imperative for the government to lead capital raising to develop the oil industry.

From the above four aspects, it can be found that due to the late start of the economic modernization process, Venezuela has gradually moved towards the path of large-scale government intervention in the development of the oil industry. And the large-scale government intervention has further led to Venezuela has formed a powerful oil industry alliance and established a national property rights system in the oil field.

In terms of the form of the industrial alliance, Venezuela's Petroleum Industry Alliance is a political and economic entity with huge influence. Judging from the scale of the industrial alliance, the Petroleum Industry Alliance has obvious advantages in terms of salary income, output value creation, social status, etc. Venezuela's Petroleum Industry Alliance The Petroleum Industry Alliance is mainly composed of employees and workers of PDVSA and other small oil companies. Its size shrank from 450,000 in the 1960s to 20,000 in the 1970s, and then rebounded, reaching 360,000 in the 1980s. People account for about 15% of the country's total population (see Figure 1). Although the data shows that the scale of industrial alliances fluctuates and they account for a small proportion of the total population, they earn more than 50% of the country's wages and create It accounted for more than 25% of GDP in the 10 years from 1976 to 1985. The labor movement related to the oil industry became the most influential part of the Venezuelan labor movement, which gave employees in the oil industry a "worker aristocracy"

[US] Ronald Rogowski, translated by Yang Yi: "Business and Alliances: How Trade Affects Domestic Political Alliances", Shanghai: Shanghai People's Publishing House, 2012, page 103, Paul Bairoch, "International Industrial Levels from 1750 to 1980" in Journal of European Economic History

“Business and Alliances: How Trade Affects Domestic Political Alliances” by Ronald Rogowski, translated by Yang Yi. The text discusses the relationship between trade, industrialization, and political alliances in the context of Latin American countries, specifically focusing on Venezuela's oil industry. It mentions the formation of a powerful oil industry alliance and the establishment of a national property rights system. The text also notes that the alliance is composed of employees and workers of PDVSA and other small oil companies, and that its size fluctuates significantly over time. The alliance is described as a political and economic entity with a large influence, and it is noted that it accounts for a significant portion of the country's wages and GDP. The text concludes by stating that the labor movement related to the oil industry became the most influential part of the Venezuelan labor movement, giving employees in the oil industry a "worker aristocracy".



The right to participate in the so-called primary activities (exploration, mining, collection, transportation and initial storage). Previously, the government's participation rate in the primary activities of a joint venture could only reach a maximum of 35%. After the "Hydrocarbons Law" came into effect, the government retained More than 50% of the participation rights. This means that all private investment projects in Venezuela must cooperate with the government and carry out primary activities such as exploration and mining on the basis of the latter's holdings. In terms of use rights, the Venezuelan government always has the right to oil. Industry and its production means of use privileges. Article 6 of the "Petroleum Nationalization Law" stipulates that the government has the right to modify the business objectives of PDVSA and can decide on major matters such as the merger and split of the company. The law further states that , PDVSA is ultimately responsible for the President of the country, and the Minister of Energy and Mines provides policy guidance to him as the presidential representative. This provides convenience for the government to use PDVSA to achieve non-operational goals that have nothing to do with the latter. In addition, the Venezuelan government's budget for PDVSA It has great discretion, and most of the extra-budgetary tax rates do not have clear provisions. The government can even require PDVSA to provide resources for other industries based on different needs. For other small oil companies, although their Production and operation activities are not entirely determined by the government, but all their oil-related activities require government participation, so their autonomy in decision-making is not high.

In terms of income rights, the Venezuelan government has always been the largest beneficiary of the oil industry. The government has issued decrees many times to increase oil royalties. Article 44 of the 2002 Hydrocarbons Law increased oil royalties from 16 to 67 % increased to 30%, and a tax of 30% to 50% per liter was levied on hydrocarbon derivatives sold in the domestic market. In 2006, the government carried out a new round of revisions to the "Hydrocarbons Law", which stipulated The government is entitled to a 30% share of the oil and gas extracted from any oil field to subsidize traditional industries. In addition, for Venezuela's major oil companies

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Editor-in-Chief Wang Jiming: "Handbook of World Famous Petroleum and Petrochemical Companies" (Part 1), Beijing: Sinopec Press, 2005,

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PDVSA's "Petroleum Nationalization Law" stipulates that the government has the right to transfer its capital to other enterprises. This usufruct system allows the country's government to obtain large amounts of oil revenue at a lower cost.

In terms of transfer rights, the Venezuelan government has always prohibited the privatization and transfer of the oil industry and its assets. According to the "Petroleum Nationalization Law", PDVSA's only shareholder is the Republic of Venezuela, and any form of privatization is not allowed. Article 2 of the Venezuelan Constitution Article 303 clearly stipulates that the state should retain all shares of PDVSA. In real life, almost all politicians believe that transferring the rights and interests of PDVSA to private capitalists is equivalent to an act of "political suicide". The "Petroleum Nationalization Law" is completely It blocks the possibility of privatization of PDVSA, and at the same time ensures that the government has long-term management power over domestic oil production, and strengthens the government's control over the oil industry. Therefore, the Venezuelan government can easily break through its relationship with the oil industry at a lower cost. The boundaries of power and responsibility between alliances make the latter largely an extension of their will.

### The political effects of three industry alliance forms and property rights system types

The powerful oil industry alliance and the national property rights system in the oil field work together to make the Venezuelan government The government and politicians have become overly dependent on the oil industry in terms of tax revenue, industrial subsidies, and political competition.

First of all, the Venezuelan government relies heavily on the oil industry for tax revenue and foreign exchange revenue. As far as taxation is concerned, in order to absorb as much oil revenue as possible, the government frequently uses legal means to increase the tax rate of oil companies. From 1980 to 1985, oil tax revenue was basically Accounting for more than 40% of Venezuela's fiscal revenue, it even reached 59% in 1981. Although this number declined in the following years, it still remained above 20% (see Figure 2). Whenever there is a fiscal crisis, It is not uncommon for the government to require national oil companies to pay taxes in advance and even confiscate their properties. In 1982, the Venezuelan government, facing huge foreign debt, ordered the central bank to confiscate PDVSA's revenue of approximately US\$6 billion to repay the government's foreign debt. Compared with the same period at the same time, Compared with other developing countries in the period, the Venezuelan government raised less than half of the tax revenue from personal income tax. It can be seen that oil revenue is very important to the Venezuelan government.

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Editor-in-Chief Wang Jiming: «Handbook of World Famous Petroleum and Petrochemical Companies» (Part 1), Beijing: Sinopec Press, 2005, page 306, Stacy Rentner "Venezuela: How a Hydrocarbons Law Crippled an Oil Giant" Law Review Vol 27, pp 2, 2004

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Economic History of Venezuela" (ed) by Try Study Washington D C : Library of Congress 1993 p 99 Terry Lynn Karl ty: Oil Booms and Petro - States

Berkeley: University of California Press 1997

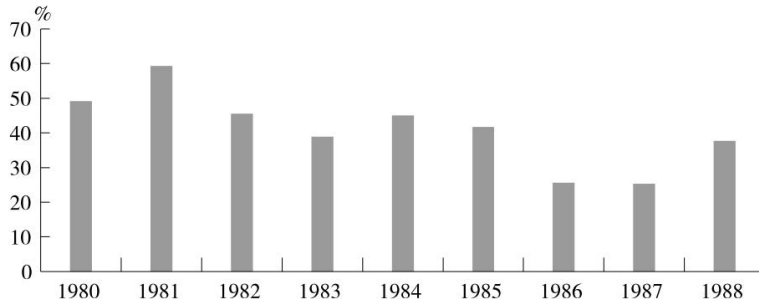


Figure 2 Venezuela's petroleum tax revenue as a share of fiscal revenue (1980-1988)

Figure 2 shows the percentage of petroleum tax revenue as a share of fiscal revenue in Venezuela from 1980 to 1988. The rate fluctuates significantly, peaking at 58% in 1981 and reaching a low of 25% in 1986 and 1987. The average rate over the period is approximately 38%.

In terms of foreign exchange, the huge foreign debt faced by Venezuela in the 1980s intensified its dependence on oil foreign exchange earnings, and the foreign exchange earnings provided by oil exports were also increasing. In 1980, oil exports contributed 32% to the Venezuelan government. % of foreign exchange earnings, and even contributed in 1985. Although oil foreign exchange earnings fluctuated greatly during the period, from 1970 to 2000, the average foreign exchange contribution of the Petroleum Industry Alliance reached 41% (see Figure 3). It is precisely because The Venezuelan government is deeply dependent on tax revenue and foreign exchange from the oil industry. The government's willingness to collect taxes from other domestic industrial alliances and obtain foreign exchange has been significantly reduced. Naturally, it has relatively neglected its support for the development of other industries. It can be seen from this that the Venezuelan government Already over-reliant on taxes and foreign exchange generated by the oil industry.

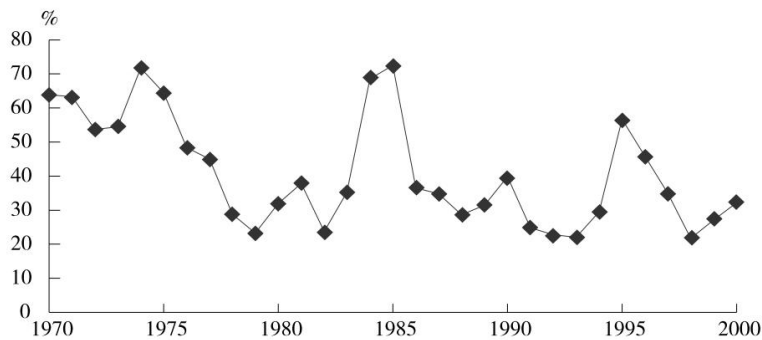


Figure 3 Proportion of foreign exchange contributed by Venezuela's oil industry to total foreign exchange

income (1970-2000) Source: Ministerio del Poder Popular de Petróleo de Venezuela "Petróleo y Otros Datos Estadísticos (1970-2000)".

The graph shows the proportion of foreign exchange contributed by Venezuela's oil industry to total foreign exchange from 1970 to 2000. The proportion fluctuates significantly, with a peak of 72% in 1985 and a low of 21% in 1993. The average proportion over the period is approximately 41%.

Secondly, the Venezuelan government not only regards the oil industry alliance as its main source of tax revenue, but also the responsibility for redistribution has also been assigned to the latter. Since the 1970s, the Petroleum Industry Alliance Subsidies have been provided to people's livelihood areas such as medical care, social security, and housing, and the amount of subsidies has generally increased. situation (see Table 1). Taking advantage of the huge oil revenue, the Venezuelan government formulated a plan including steel, Huge basic industry and infrastructure development investment plans including aluminum, electricity and other non-oil industries. Statistics It shows that the Venezuelan government's investment in non-oil industries increased in the 1970s compared with the 1960s. 10% However, after the nationalization of the oil industry in 1975, the responsibility for providing subsidies to non-oil industries fell to Since 2000, the non-oil industries subsidized by PDVSA have expanded to It has expanded to more fields such as agriculture, infrastructure, electricity, etc. Only in 2016, PDVSA expanded its coverage to other industries. The subsidy amounted to 10.9 billion bolivars. Between 2001 and 2016, it provided a total of 2,500 The subsidy amount of more than 100 million bolivars. From the 1980s to the present, the impact of "seeding oil" Next, the Petroleum Industry Alliance provided a large amount of subsidies to other industry alliances and undertook part of the government's Assign functions

Table 1 Amount of assistance to medical and social security provided by the Venezuelan Petroleum Industry Federation (1974-1990)

(Unit: 10,000 bolivars)

years	hospital and clinic subsidy	social Security support	hospital construction invest	Clinic construction invest	Housing investment	Canteen investment	Assure housing investment	total
1974	100	100			100		100	300
1975	100	100	100	100	100		100	500
1976	100	100	100	100	100	100	100	600
1977	100	100	100	100	100		100	500
1978	100	100	100	100	100	100	100	600

Lu Siheng: « "Resource Curse" and Institutional Weakness: The "Development Trap" of Latin American Countries Mirror» Beijing: Chinese Social Sciences Publisher, 2021, pp. 95-96.

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It has been able to maintain a rigid monopoly. Among the non-oil industries that receive subsidies, only a few non-productive tertiary industries have shown vitality, while the development of most other industries is still relatively silent.

Thirdly, Venezuelan politicians and the oil industry alliance have close ties in political elections.

There is often an exchange of interests. Politicians facing electoral pressure rely on the election of the oil industry alliance. After winning the election, they often vigorously promote the development of the oil industry as a reward for their support. In addition to providing a large amount of campaign funds to the candidates it supports, Venezuela's oil industry alliance can also exert its huge influence to mobilize communes. The Commission works with the Bolivarian Group (Círculos Bolivarianos) and mainstream television stations to promote and canvass votes for the candidates it supports. 4. Since the establishment of the Punto Fijo regime, government agencies have cooperated with national organizations including PDVSA. Personnel rotation between companies has become commonplace. 5. Although there was an unwritten rule at the beginning of PDVSA's establishment that its executives should be elected from within the company, President Luis Herrera Campíns broke this rule in 1984 when his term was about to end, and appointed the main leader of his or her political party as the president of PDVSA in order to gain the support of PDVSA in the next presidential election.

In short, the Venezuelan government and politicians are highly dependent on the oil industry alliance in terms of tax revenue, industrial subsidies and political elections, which ultimately led to the country gradually forming a dominant oil industry company after the 1970s. Industrial structure. In 1990, the output value of the petroleum industry exceeded 600 billion bolivars, accounting for 39% of the country's GDP (see Figure 4). In addition, petroleum exports also accounted for the vast majority of commodity exports. From 1970 to 2010, during the period, oil exports accounted for

“The expansion of international oil trade and the consolidation of electoral authoritarian regimes —Based on a comparative study of Venezuela and Kazakhstan”, Published in "Foreign Affairs Review", Issue 4, 2016, Pages 78-82.

David R Mares and Nelson Altamirano “Venezuela's PDVSA and World Energy Markets: Corporate Strategies and Political Factors Determining Its Behavior and Influence”. <https://www.bakerinstitute.org/media/files/page/9c4eb216> [2021-09-23]

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The number of jobs created by the oil industry also decreased, especially in the manufacturing industry. In the 1960s, the Commission

The employment population of the manufacturing industry in Nerreira accounts for only 18.1% of the total employment population, which is far behind that of the same period.

The average level of other countries in the United States is 270%. After 1980, the population employed in Venezuela's manufacturing industry

The number began to decline, from 460,000 in 1980 to 340,000 in 2010. Overall,

In Venezuela, only the oil industry has been fully developed since the 1970s, while other industries have

Gradually decline

### Four super-scale energy industries and stagnant economic growth

The current industrial structure with the petroleum industry as its super core will inevitably lead to the following two results.

First, Venezuela's subsequent industrialization and industrial upgrading process has been completely hindered. On the one hand, the country

The overall level of industry showed a relative decline trend. At the end of the 20th century, the overall development of Venezuela's manufacturing industry tended to stagnate.

lags behind, its contribution to GDP has dropped significantly (see Figure 6). In 1997, Venezuela's manufacturing sector had only

At that time, there were only 06 manufacturing companies per 1,000 residents in If we compare the number of companies with the number of residents of a country

Venezuela. This data was not yet

Half of that of Colombia, only 1/3 of Mexico, far less than 1/10 of Germany. 1997-1999

During this period, the number of manufacturing enterprises in Venezuela further decreased. By 2000, there were only 8,000 manufacturing enterprises in the country.

Enterprises On the other hand, the development of Venezuela's non-oil industry is seriously lagging behind. Venezuela's non-oil industry

The industry is mainly dominated by low-end manufacturing, with furniture, textiles, food processing and clothing being its main representatives.

In the 1970s, most shoes made in Venezuela still used imported leather, and its production

The polyester fiber needed for shirts also relies on foreign imports. Despite the implementation of the "import substitution war" for many years,

slightly More than half of the parts needed to produce cars in Venezuela still need to be imported from the United States.

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Y Institutional Weakness: Mirror of the "Development Trap" in Latin American Countries»y Beijing: Chinese Social Sciences Publisher, 2021, pp. 56-57.

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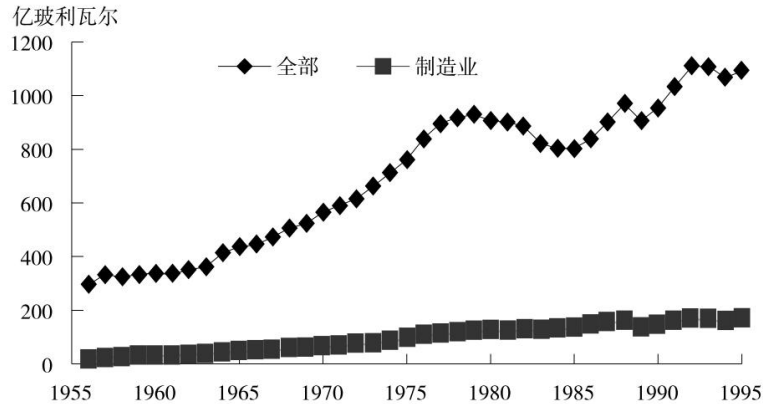


Figure 6 Venezuela's GDP and manufacturing GDP scale (1956-1995)

1997 197 197 1999

Second, the super-scale oil industry structure has resulted in Venezuela's single export structure, which is dominated by oil structure, amplifying the negative effects of oil price fluctuations.

First of all, when oil prices remained high for a long time, Venezuela obtained huge oil revenues while occupying the development space of other industries. During the period from 1972 to 1974, affected by the first world oil crisis, the average price of Venezuelan crude oil exports increased from From US\$25 per barrel to US\$105, this astonishing increase in oil prices has brought unprecedented huge profits to Venezuela. Between 1974 and 1985, Venezuela's oil revenue reached US\$247 billion, and its population was almost 10 times that Brazil's export revenue during this period was only US\$194 billion. The large influx of oil revenue and the rising domestic exchange rate severely impacted the country's tradable manufacturing sector, which resulted in it not gaining substantial gains during the same period. Growth. From 1965 to 1998, there was a negative correlation between Venezuela's actual oil export prices and the growth of non-oil production. In addition, there was a negative correlation between the industry, and its correlation coefficient was - 0.44 (see Figure 7). The total factor productivity of the growth of the non-oil industry increased from The average annual growth rate from 1950 to 1968 dropped from 11% to -145% from 1968 to 1984. The huge influx of oil revenue when oil prices were at high levels did not bring internationally competitive non-oil industries to Venezuela. On the contrary, it occupies the development space of the latter.

The Present Pennsylvania S 2009y y 22y y 23 Zhao Lihong: «"Resource Curse" and the Primary Product Export-oriented Development Model of Latin American Countries»y Beijing: Contemporary World Publishing House 2010, pages 177-178.

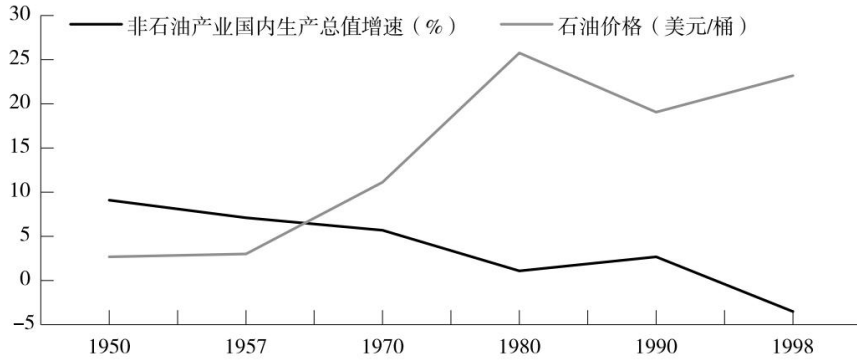


Figure 7 Venezuela's non-oil industry GDP growth rate and oil price (1950-2003)

Secondly, when oil prices remain low for a long time, Venezuela cannot obtain sufficient foreign exchange earnings. This in turn led to the country's currency devaluation and government fiscal revenue reduction, ultimately dragging down economic growth. In the 1970s, the oil boom of the 1980s did not last long. By the end of the 1980s, oil prices plummeted and remained low for a long time. Venezuela was in economic trouble. In 1986, oil prices plummeted by 50% year-on-year. This resulted in Venezuela's per capita oil exports dropped sharply from 1986 to 1988, averaging less than US\$600 per year during this period. 1985 In 1988, Venezuela's fiscal budget surplus was equivalent to 3% of GDP. However, by 1988, the fiscal deficit reached 10% of GDP. Faced with the decrease in oil revenue, the Venezuelan government does not have enough resources. In order to support high public expenditures, the living standards of the people plummeted. In 1990, the actual number of workers in the country was 50% lower than the highest level in history, and even lower than wages during Gomez's reign. The proportion of the population living below the poverty line increased from 36% in 1984 to 66% in 1995. 3. Venezuela's GDP growth rate was negative from 1980 to 1983, and it experienced the most serious economic crisis in Latin America at that time.

recessionary

Finally, when oil prices fluctuate violently in the short term, Venezuela cannot achieve macroeconomic stability.

recessionary

It is determined that oil prices continued to rise in the first half of 2008, reaching a high of US\$132/barrel in July. However, oil prices plummeted from July to December, with a drop of 70%. Within a few months of the sharp rise in oil prices, inflation in Venezuela rose from 20% in 2007 to 31%, far exceeding the regional average at the time and becoming one of the countries with the highest inflation rates in the world. However, within a few months of the collapse in oil prices, despite the Venezuelan central government The bank implemented a negative interest rate policy, but the scale of credit was still shrinking rapidly. During the same period, the government's budget decreased by 6% year-on-year and was forced to withdraw foreign exchange reserves from special funds to protect the central bank's foreign exchange reserves. Affected by this, the government once again Financial difficulties arose, and the debt-to-GDP ratio increased from 14% in 2008 to 28% in 2010. Venezuela 's economic growth has also been greatly affected. From 2004 to 2008, the country's per capita GDP grew at an average annual rate of 8%. It was one of the countries with the fastest economic growth in the world at that time. However, by 2009, the country's per capita GDP growth rate had plummeted to -46%.

In short, Venezuela's industrialization and industrial upgrading are seriously lagging behind and have been negatively impacted by oil price fluctuations, which makes it difficult for the country to achieve long-term stable economic growth. On the one hand, compared with Latin American countries at the same time, Venezuela's economic growth is slower. In 1980, the country's per capita GDP was US\$3,894, which was much higher than the average level of Latin American countries of US\$2,166, ranking fifth in the region. However, by 2004, Venezuela's per capita GDP was approximately US\$4,325, compared with 4 Regional average of \$309 The difference is not big, but its ranking dropped to 14th (see Table 2). In addition, Venezuela's world ranking of per capita GDP also dropped from 49th in 1980 to 73rd in 2004 (see Table 3). In the 1980s, Venezuela's per capita GDP was at the same level as Mexico, Uruguay, Chile and other countries, and even twice that of South Korea, Brazil, Malaysia and other countries. However, in the subsequent 30 years of development, compared with Mexico, Uruguay, Brazil and other countries, Venezuela's per capita GDP Among Latin American countries, Venezuela's per capita GDP growth is slow, and the gap with countries such as South Korea is becoming more and more obvious. On the other hand, compared with other Latin American countries in the same period, Venezuela's national debt is larger. After entering the 21st century, although Venezuela The changing trend of the proportion of foreign debt in GDP is the same as that of Mexico, Brazil, Colombia and other countries, but their proportion of foreign debt is high.

“Venezuela's economic growth has also been greatly affected. From 2004 to 2008, the country's per capita GDP grew at an average annual rate of 8%. It was one of the countries with the fastest economic growth in the world at that time. However, by 2009, the country's per capita GDP growth rate had plummeted to -46%.”

“In short, Venezuela's industrialization and industrial upgrading are seriously lagging behind and have been negatively impacted by oil price fluctuations, which makes it difficult for the country to achieve long-term stable economic growth. On the one hand, compared with Latin American countries at the same time, Venezuela's economic growth is slower. In 1980, the country's per capita GDP was US\$3,894, which was much higher than the average level of Latin American countries of US\$2,166, ranking fifth in the region. However, by 2004, Venezuela's per capita GDP was approximately US\$4,325, compared with 4 Regional average of \$309 The difference is not big, but its ranking dropped to 14th (see Table 2). In addition, Venezuela's world ranking of per capita GDP also dropped from 49th in 1980 to 73rd in 2004 (see Table 3). In the 1980s, Venezuela's per capita GDP was at the same level as Mexico, Uruguay, Chile and other countries, and even twice that of South Korea, Brazil, Malaysia and other countries. However, in the subsequent 30 years of development, compared with Mexico, Uruguay, Brazil and other countries, Venezuela's per capita GDP Among Latin American countries, Venezuela's per capita GDP growth is slow, and the gap with countries such as South Korea is becoming more and more obvious. On the other hand, compared with other Latin American countries in the same period, Venezuela's national debt is larger. After entering the 21st century, although Venezuela The changing trend of the proportion of foreign debt in GDP is the same as that of Mexico, Brazil, Colombia and other countries, but their proportion of foreign debt is high.”

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In 2015, Venezuela's foreign debt accounted for 99.8% of GDP. Obviously, Venezuela

In recent decades, not only has the economic growth rate been slow, but also there have been serious debts during the economic growth process.

There are many serious problems, and economic growth has tended to stagnate.

Table 2 Per capita GDP of Venezuela and Latin America (1980-2004) (Unit: USD)

Year 1980		1980	1985	1990	1995	2000	2004	1980	1985
Latin America 2166		1980	1985	1990	1995	2000	2004	1980	1985
Venezuela 3894		1980	1985	1990	1995	2000	2004	1980	1985
Ranking	5	5	5	5	5	5	5	5	5

Source: World Bank, "World Development Indicators" (2005).  
 Note: // 1980-1985, 1985-1990, 1990-1995, 1995-2000, 2000-2004

Table 3 Venezuela's world ranking of GDP per capita (1980-2004)

Year 1980		1980	1985	1990	1995	2000	2004	1980	1985
Rank 49		1980	1985	1990	1995	2000	2004	1980	1985

Source: World Bank, "World Development Indicators" (2005).  
 Note: // 1980-1985, 1985-1990, 1990-1995, 1995-2000, 2000-2004

### Five conclusions

The fundamental reason for the slowdown and stagnation of Venezuela's energy economy lies in the late start of the country's economic modernization process.

The specific logic is that Venezuela started its economic modernization process in the 1920s, which is a typical

A late-comer country. In order to overcome many late-comer disadvantages in economic development, the Venezuelan government is carrying out stone

After oil nationalization, it promoted and intervened in the development of the oil industry on a large scale, which quickly formed a strong and powerful

The large oil industry alliance has established a national property rights system in the oil field. Therefore, Venezuela's oil industry

Able and easy to pay excess taxes and foreign exchange at the request of the government, and directly provide services to other industries

excessive subsidies, influence elections, and exchange interests with politicians, which in turn makes the government and politicians have an interest in the oil industry.

The country has become overly dependent on the oil industry, which inevitably led to the country's eventual formation of an overly large industrial structure in the oil industry.

Such an industrial structure will drag down the subsequent industrialization process at the domestic level and amplify oil and gas prices at the international level.

Due to the negative effects of price fluctuations, the country's economy will inevitably slow down and stagnate.

1 World Bank, "World Development Indicators" (2005).  
 Note: // 1980-1985, 1985-1990, 1990-1995, 1995-2000, 2000-2004



Based on this, this article has mainly made progress in two aspects. First, this article fully pays attention to the interaction between industrial alliances and property rights systems that cannot be ignored. Therefore, based on the author's previous series of studies, this article first studies the relationship between industrial alliances and property rights systems. Therefore, it can more comprehensively explain the industrial logic of the slowdown and stagnation of Venezuela's energy economy. Secondly, this article takes the starting point of the economic modernization process as the most fundamental independent variable and uses the perspective of modernization theory to re-understand Venezuela's energy economy. The reasons for economic slowdown and stagnation provide a new structural explanation for this topic. In particular, compared with the existing discussions on the related pathological effects of Venezuela's economic development, this article aims to understand the pathology of Venezuela's economic slowdown and stagnation. The mechanism provides a new idea.

Finally, it should be noted that economic growth, as the dependent variable of this article, is affected by many factors. This article cannot effectively control these factors. Therefore, there is inevitably the problem of "one effect with multiple causes". In fact, in addition to oil development, in addition to the pathological effects brought about by exports, the radical lending actions taken by then Venezuelan Presidents Campíns and Lucinci in the 1980s, the severe economic sanctions imposed by the United States on Venezuela's oil industry in recent years, and the development of other neighboring countries. The "bad neighbor effect" of stagnation and chaotic governance spilling over to Venezuela has obviously hindered the country's economic growth. Even if the existence of these factors is noted, this article is still unable to effectively control and explore their impact. This means that this article may overestimate the impact of energy on Venezuela's economic growth. In addition, the degree of this overestimation cannot be effectively identified and measured for the time being. In subsequent research, the author needs to further examine the history of Venezuela, and then examine the impact of energy factors on

Venezuela's economic growth. Boundary (Editor Huang Nian)