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The rise of the "Boligarchs"

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Illustration by Claudio Munoz



Under Hugo Chávez, the right political connections are a passport to wealth, whisky and a Hummer

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"PETROLEUM socialism" is how Hugo Chávez, Venezuela's president, recently dubbed the blend of military populism and neo-Marxist statism to which he is subjecting his country. Its prime objective, he insists, is to improve the lot of the country's poor majority. Mr Chávez proclaims that "being rich is bad". He frequently lashes out at what he calls "the oligarchy". Strange, then, that the streets of Caracas are clogged with big new 4x4s (Hummers are especially favoured), it is hard to get a table at the best restaurants, and art dealers and whisky importers have never had it so good. A new oligarchy seems to be rising in Venezuela on the back of the "Bolivarian Revolution", named for the country's independence hero.

"Some of Chávez's speeches are for the gallery," says Alberto Muller Rojas, a retired army general who was until recently the president's chief of staff. "And I'll give you an example: the attack on the bourgeoisie." As evidence, General Muller singles out the banks: "the most extreme expression of the bourgeoisie" but "the most favoured sector" of the economy since Mr Chávez came to power in 1999.

Their prosperity owes much to an oil windfall: the price of Venezuela's main export has increased almost eightfold since 1999 and the economy has been growing at 10% a year. But government

policies, too, have favoured the bankers and other intermediaries: inflation is close to 20% and the official value of the currency is twice its black-market exchange rate. So the savvy investor looks for access to cheap dollars, import opportunities and government contracts, all of which are largely conditional on political obedience. By contrast, manufacturers and farmers face price controls and risk sporadic official harassment. The result has been the rise of what is known, in obeisance to Bolívar, as the "Boli-bourgeoisie".

Thanks to economic growth and social programmes, the government claims that only 30% of Venezuelan families now live in poverty, down from 55% at the peak in 2003. But according to a new report by the central bank, income inequality has widened slightly under Mr Chávez: the Gini coefficient—a statistical measure of inequality—has gone from 0.44 in 2000 to 0.48 in 2005.

Typical of the new "Boligarchy" is Wilmer Ruperti, a shipping broker who was once a merchant seaman. His ascent was helped by a two-month strike against Mr Chávez by workers at *Petróleos de Venezuela* (PDVSA), the state oil company. Mr Ruperti chartered ships to help the government break the strike. Another is Arné Chacón, whose brother Jesse is the communications minister. Arné now owns half of *Baninvest*, a bank. He acquired it with loans for which his main apparent collateral was his official connections.

Mr Chávez claims to be pursuing economic nationalism and "endogenous development". But farmers and manufacturers struggle against cheap imports. Though local dairy products are often missing from the supermarket shelves, Gouda and Emmenthal cheeses nestle beside Irish butter. The frozen chickens at *Mercal*, a government chain of subsidised grocery shops, are Brazilian. The importers who supply *Mercal* have grown rich. But Venezuela's ranchers are becoming extinct, threatened by expropriations, land invasions and price controls, as well as by extortion and kidnappings by criminal gangs.

Officials stress that two-thirds of the poor have benefited directly from government social policies. As well as *Mercal*, these include the "missions", which offer education and health care. Up to 2m people get a small cash stipend. But despite hefty increases in the minimum wage and price controls on basic goods, inflation is eating away at the gains.

For those with connections, however, the rewards are great. The World Bank recently ranked Venezuela as the second-worst country in the Americas for the control of corruption, above only Haiti. Others confirm this perception. "We usually ask for 10%," a foreign diplomat reports one government official admitting. "But some get greedy and want 15-20%."

Since his re-election in December, Mr Chávez has frequently suggested capping the salaries of the highest-paid public officials. He also called on those with "excess" wealth to donate part of it to worthy causes. The response has been meagre. If he really tries to make socialism more than a slogan, some of the fiercest resistance may come from the new bourgeoisie his own policies have created.