



Embedding industrial policy in oil-States: the mixed-effects of an uncoordinated State and the strategies of the Venezuelan business elites at the close of an oil boom (2012-2014)

Eduardo Rios Ludena

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Institut d'études politiques de Paris

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Embedding industrial policy in oil-states

**The mixed-effects of an uncoordinated state and the strategies of the
Venezuelan business elites at the close of an oil boom (2012-2014)**

Eduardo Rios Ludeña

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1. Introduction. The Business elites' Strategy-formation process in oil-driven economies

“A: And afterward you have the Bolibourgeois, as they call them.¹

E: Who are they?

-A: Those who have made money directly with the government. With little money [to start with]. They just made big negotiations [with the public sector].

[...] The bolibourgeois are well known. Some of them are in jail; others are in exile. They invested basically in the financial sector. Mister Fernandez Barruecos² was perhaps the emblem. Others are less known like Torres Ciliberto³. Even [Eligio] Cedeño⁴ who is abroad now, benefited from the government at the beginning.

“Some men are regrettably in jail. They are the owners of Econoinvest⁵. They stuck to the government. They waltzed with the feast of bonds and petrobonds. And they earned big fortunes, but they did it because they were connected with someone.

“This other sector of businessmen [that I was talking to you about; shopping mall builders] made money because they capitalized on the boom. There is an interesting fact. Between 2004 and 2008, Venezuelan lived through the four years of the *most* transcendental economic prosperity in the last 35 years. I mean, there had not been four consecutive years of prosperity in Venezuela since the 1970s'. If you make an economic analysis, just in terms of year-to-year variation of the GDP, you do not find four good, connected years since the 74-78 period. [...] That is transcendental! Because, above all that, those were the years they told us that was the 21st century socialism. And people bought that. The Venezuelan understood that socialism was an extraordinary prosperity. Not only did [businessmen] built

¹ This note requires a little bit of contextual information. To add a little suspense we inserted that input along the quote.

² Called the Zar of Mercal (chain stores of subsidized food). Originally from the home State of Hugo Chávez. He became close to Chávez father and governor of the Barinas State. During the 2002 general strike Fernandez Barruecos helped the government by importing food. He was given massive state contracts in the misiones sociales. He diversified into agribusiness and the financial sector.

³ Banker, friend of the former vice-president José Vicente Rangel. <http://www.economist.com/node/15066082>

⁴ Banker, he became the president of Banco Canarias, he was put in jail in 2007 for political reasons. He was released in parole by the Judge Affiuni and left the country. She was herself thrown in jail.

⁵ Exchange house. In 2009, Chavez illegalized the exchange market. He ws thrown in jail and hence closed the trading house Econoinvest. Their president were released in 2013 without charges.

100 new shopping malls all over the country; all the country, above all the poorest class D and E¹ felt for the first time in...in decades that they progressed. The oil spill was so big that we all became a rich man's dream. We hadn't felt that since the oil boom in the 1970's."

President of encompassing business association

Oil state theory² is adamant on the negative effects that leading mining export industries have on resource-rich economies. This link between mining economies and deficient, state-driven, economic policies is prevalent in academic discourse, and informed business forums. The evidence of this "curse" has been contested elsewhere³ – so much so, that it is now believed to be avoidable⁴. This dissertation proposes to push the critique of the oil-state theory further. We question the underlying logic implied by the oil-curse analysis, which is that oil-states economic policies have a homogenizing effect on their resource rich economies: the usual narrative states that rentier economies are evenly "disastrous".

Works reviewing the theory have hinted at the shortcomings of oil-state's structuralist view. First, it overlooks the range of incentives generated by oil states' complex institutional structures⁵. Secondly, oil-state theories tend to concentrate on institutional apparatuses, obviating the existence of an underlying web of economic agents reacting to oil-state incentives⁶. We contend that the web of agents in oil-driven economies answer to the range of oil-state incentives. Therefore, that the strategy of business elites in oil-driven economies do not answer to a homogenizing logic implied by the oil-state theories.

¹ In Venezuela, social stratification is divided by consumption classes. Class A&B are the wealthiest and D&E the poorest.

² KARL T.L., *The Paradox of Plenty: Oil Booms and Petro-States*, San Francisco, University of California Press, 1997 ; KARL T.L., « The perils of the petro-state: reflections on the paradox of plenty », *Journal of International Affairs*, 1999, p. 31-48 ; HUMPHREYS M., J. SACHS, et J.E. STIGLITZ, *Escaping the Resource Curse*, New York, Columbia University Press, 2007 ; KARL T.L., « Ensuring fairness: The Case for a transparent Fiscal Social Contract », M. HUMPHREYS, J. SACHS et J.E. STIGLITZ (dir.), *Escaping the Resource Curse*, New York, Columbia University Press, 2007, p. 256-285.

³ HERTOOG S., *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia*, Ithaca and London, Cornell University Press, 2010 ; DI JOHN J., « The 'Resource Curse': Theory and Evidence », *Elcano Newsletter*, 2010, n° 72, p. 9 ; FONTAINE G., « The effects of governance modes on the energy matrix of Andean countries », *Energy Policy*, mai 2011, vol. 39, n° 5, p. 2888-2898.

⁴ HUMPHREYS M., J. SACHS, et J.E. STIGLITZ, *Escaping the Resource Curse*, *op. cit.*

⁵ HERTOOG S., *Princes, Brokers, and Bureaucrats*, *op. cit.*

⁶ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia: las empresas venezolanas*, Caracas, Ediciones IESA, 2009.

1.1. Puzzle: State incentives on business elites' economic strategies in oil-countries

This quotation sets the décor for both the theoretical question we raise and the empirical time-lapse we will use to answer it. Empirically, between 2010 and 2014 (during our fieldwork, 59 interviews in Caracas), Venezuela was unknowingly living the end of an oil boom¹. As Chávez was diagnosed with cancer, it was also witnessing the end of a political era. During oil-booms as predicted by oil-state theory², amidst macro-economic havoc, public sector debt was rising, and the economy had not diversified its export sector. However, the long tenure of Hugo Chávez in this oil-state invalidated this approach in its *micro* conclusions; particularly on the nature of its business sector. Amidst a proclaimed socialist revolution, and with a very tough stance against the “imperialist oligarchy”, Chávez gave the impression to govern against the private capitals. This theatrical impression however left his critiques unconvinced. After some years of economic stagnation beginning in 2012, Chávez' mishandlings of the economies were thought to be at fault. The opposition denounced a new “missed opportunity”, and left wing, disillusioned intellectuals raged against this new form of red-tainted state capitalism. This dissertation shows that on the contrary, Chávez did not err on his economic policy; however catastrophic the result might have turned out to be. We contend that Chávez and then Nicolás Maduro governed by using the full extent of the oil-state arsenal and that this public economic strategy segmented the business structure. The variations hinted by the introductory remarks shed light on the complex nature of the Venezuelan state capitalism. To address these empirical complications, this dissertation will elaborate a structural theoretical framework for understanding the incentives for business elites' strategy formation process in oil-driven economies.

As the business leader in our introductory remarks correctly pointed out, oil booming Venezuela birthed a specific economic system, where business elites with varied – specialized – economic strategies survived side by side. This anecdotal – and seemingly unimportant – point was validated

¹ Oil prices started declining in 2015.

² SHAFER D.M., *Winners and Losers: How Sectors Shape the Developmental Prospects of States*, Cornell, Cornell University Press, 1994 ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

by recent studies on the Venezuelan business sector¹. These studies concluded that the oil-driven, chavist, socialist, Venezuelan state capitalism generated the incentives for an underlying complex web of business elites with multiple arrays of strategies². However, this evidence of plurality went against oil-state theories³, which argued that oil-driven, institutionally framed, macro-economic incentives should produce a homogeneous, and rent-seeking economic sector – even more so during oil booms. This raw manifestation set the stage for the question this dissertation seeks to answer: *what type of mixed incentives by the oil-state feed and sustain variations within the economic structure in oil-driven economies characterized by specialized business elites engaged in different strategy-formation endeavors?*

1.2. The argument: strategy formation processes' institutional and social incentives

We answer that strategies – and more importantly, strategy formation processes⁴ – are at the crossroads of both institutional incentives and social mechanisms of economic specialization that rigidify these incentives. This answer opens two theoretical challenges that we will seek to explore further. First, what kind of institutional structure sparks various and seemingly contradictory incentives allowing multiple strategy-formation processes to sprout? Furthermore, how is this manifestation possible in states under strong structural macro-economic and institutional pressures? As we know that in countries such as Venezuela, 95% of exports come from the oil sector. Secondly, what effect do these mixed-incentives have on the business structure of oil-driven economies? To put it more clearly: what type of social structures do these public sector mixed institutional incentives generate in oil-driven economies?

¹ DIJOHN J., *From Windfall to Curse?: Oil and Industrialization in Venezuela, 1920 to the Present*, Pennsylvania, Penn State Press, 2009 ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, op. cit.

² Recent studies have also found that oil states generate much more complex underlying –economic or not – social structures than rent-seeking arguments would predict.

³ CORONIL F., *The Magical State: Nature, Money, and Modernity in Venezuela*, Chicago, University of Chicago Press, 1997 ; KARL T.L., *The Paradox of Plenty*, op. cit. ; AUTY R.M. (dir.), *Resource Abundance and Economic Development*, Oxford, Oxford University Press, 2001 ; SACHS J.D. et A.M. WARNER, « The curse of natural resources », *15th Annual Congress of the European Economic Association*, mai 2001, vol. 45, n° 4–6, p. 827-838 ; COLLIER P. et A. HOFFLER, « Resource Rents, Governance, and Conflict », *Journal of Conflict Resolution*, 8 janvier 2005, vol. 49, n° 4, p. 625-633 ; HUMPHREYS M., J. SACHS, et J.E. STIGLITZ, *Escaping the Resource Curse*, op. cit.

⁴ To insist on the topic of this work, we refer to strategy formation processes rather than strategy to insist on the topic of this work. We do not treat strategies as outputs but as ways in which CEO's or managers address specific problems in order to obtain margins. Empirically, this difference is tenuous. Analytically it stresses our interest on the process rather than on the outcome.

Each one of these imbricated questions will rest on a different strand of literature. To answer the problem of various institutional incentives we will trail the literature of embedded liberalism in Latin America¹. This body of works adapts the historical institutionalist view of the state² to the study of industrial policies in the continent. To address our question on social structure we will rely on the economic sociology literature on the relationship between the state and the business elites³. Therefore, in line with both these perspectives, our dissertation links a “vision of state’s internal structure and the character of state-society relations”⁴.

1.2.1. Supply-side, industrial policies’, mixed institutional incentives: a statistical equilibrium

Our argument follows three pivotal theoretical points. We contend that the first source behind variations in strategy formation processes lies in the institutional structures implementing supply-side policies in oil-countries. These policies “seek to stimulate the production side of the economy, in particular by changing the supply and cost of labor and capital”⁵.

¹ RUGGIE J.G., « International regimes, transactions, and change: embedded liberalism in the postwar economic order », *International Organization*, mars 1982, vol. 36, n° 2, p. 379–415 ; EVANS P.B., *Embedded Autonomy: States and Industrial Transformation*, Princeton, Princeton University Press, 1995 ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *World Politics*, janvier 2008, vol. 60, n° 2, p. 231–280 ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, New York, Palgrave Macmillan, 2015.

² SKOCPOL T., « Bringing the State Back In: Strategies of Analysis in Current Research », P.B. EVANS, D. RUESCHEMEYER et T. SKOCPOL (dir.), *Bringing the State Back In*, Cambridge, Cambridge University Press, 1985, p. 3-38 ; HALL P.A. et R.C.R. TAYLOR, « Political Science and the Three New Institutionalisms », *Political Studies*, 1 décembre 1996, vol. 44, n° 5, p. 936-957 ; KING D. et R.C. LIEBERMAN, « Ironies of State Building: A Comparative Perspective on the American State », *World Politics*, 2009, vol. 61, n° 3, p. 547-588 ; KING D. et P.L. GALÈS, « Sociologie de l’État en recomposition », *Revue française de sociologie*, 1 octobre 2011, Vol. 52, n° 3, p. 453-480.

³ USEEM M., *The Inner Circle: Large Corporations and the Rise of Business Political Activity in the U.S. and U.K.*, Oxford, Oxford University Press, 1984 ; MIZRUCHI M.S., *The Structure of Corporate Political Action: Interfirm Relations and Their Consequences*, Boston, Harvard University Press, 1992 ; BOURDIEU P., *The State Nobility: Elite Schools in the Field of Power*, Stanford, Stanford University Press, 1998 ; P., *The Social Structures of the Economy*, Cambridge, Polity, 2005 ; DENORD F., P. LAGNEAU-YMONET, et S. THINE, « Le champ du pouvoir en France », *Actes de la recherche en sciences sociales*, 1 décembre 2011, n° 190, n° 5, p. 24-57 ; DUDOUET F.-X. et H. JOLY, « Les dirigeants français du cac 40 : entre élitisme scolaire et passage par l’État », *Sociologies pratiques*, 16 novembre 2010, n° 21, n° 2, p. 35-47 ; MIZRUCHI M.S., *The Fracturing of the American Corporate Elite*, Boston, Harvard University Press, 2013.

⁴ EVANS P.B., *Embedded Autonomy*, *op. cit.*, p. 39.

⁵ KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.*, p. 238. This point is of extreme importance. Most authors working on the effect of oil on the economic sector insist on how extractives industries affect the national aggregated demand. They seldom concentrate on company’s cost structures. BAPTISTA A., *Teoría económica del capitalismo rentístico: economía, petróleo y renta*, Caracas, Ediciones IESA, 1997.

Within this scope, we argue that separate, uncoordinated state agencies implementing the different “roles” of the state¹ generate multiple – seemingly ‘contradictory’ – incentives towards the business sector. In Venezuela, for instance, the state structure that engages in direct competition and funds the business elites (the developmental state), is separated from the one that generates rules applicable to encompassing sectors of the economy (the financial, regulatory state)². This is however by no means an exclusive feature of the Venezuelan state. The Saudi’s State has been described as having a star-like structure in which different ministers seldom coordinate with each other³.

In consequence, provided *uncoordination*⁴, state agents working in this institutional setting generate mixed incentives that – can – incentivize various strategies. We will refer to this process, whereby the state contributes to sustaining several strategies as a statistical equilibrium.

This form of equilibrium sustains an **oil-driven state capitalism** that accounts for a variety of specialized business elites, selected through long-term processes that we refer to as a **continual screening**. We will develop these notions in what follows. Allow us first to clarify the concept of statistical equilibrium.

We fathom this form of equilibrium using a similitude. A statistical equilibrium differs from a discrete result in the same way that probabilistic models differ from discrete ones. A probabilistic model gives a law of probability: a universe of probable outcomes⁵. In this case, the institutional structure contributes to shaping that law of probability. However, the final distribution (which sector will benefit more from public incentives) will depend on how state officials interact with the economic elites, and how these economic groups react to state incentives in return. But then again,

¹ Evans argues that the state has four roles: custodian and demiurge; midwifery and husbandry see EVANS P.B., *Embedded Autonomy*, op. cit., p. 13,77-81.

² We draw this distinction between “vertical” (selective) and “horizontal” (universal, or encompassing) industrial policy from STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », J.E. STIGLITZ et J.Y. LIN (dir.), *The Industrial Policy Revolution I: The Role of Government Beyond Ideology*, London, Palgrave Macmillan UK, 2013, p. 8.

³ HERTOG S., *Princes, Brokers, and Bureaucrats*, op. cit.

⁴ The literature on pockets of efficiency describes one possible manifestation of an uncoordinated state EVANS P., « State structures, government-business relations, and economic transformation », S. MAXFIELD et B.R. SCHNEIDER (dir.), *Business and the State in Developing Countries*, Ithaca and London, Cornell University Press, 1997, p. 77. Arguments on the national oil Company PDVSA being a “state within the state” evidence this tendency towards uncoordination. BOUÉ J.C., *Venezuela: the political economy of oil*, Oxford and New York, Published by the Oxford University Press for the Oxford Institute for Energy Studies, 1993, p. 23-26.

⁵ BOURDIEU P., « Avenir de classe et causalité du probable », *Revue française de sociologie*, 1974, p. 5.

under-benefited sectors¹ do not necessarily disappear, they can simply scale down waiting for more favorable circumstances.

1.2.2. A specialized and diversified business sector: oil-driven state capitalism.

We further argue that this institutional set of incentives contributes to a process of specialization of the business elites. This process is central to our argument. If this were not to occur, our question on various economic strategies would only unveil a plurality of ways of milking² state resources. Let us clarify this assertion. We argue that multiple types of strategy-formation processes are incentivized by an uncoordinated state. If public-sector transfers were to generate nothing more than a myriad of ministers that can call every time they need easy cash³, our hypothesis of multiple strategy-formation processes would be synonymous with different deep pockets from which to incur in rent-seeking behavior. However, if these incentives fostered enterprises – or industries – they would lose their initial “strength”. As these enterprises flourish, sell goods and hire workers –and most importantly specific managers – they would consolidate and differentiate from other consolidated companies. If specialization is given, then rent-seeking behavior can coexist with other ways of generating economic returns. Henceforth producing a setting where multiple strategy-formation processes co-exist⁴. Consequently, each strategy-formation process should be linked to each company’s type of specialization. Let us clarify this next theoretical step.

¹ By under privileged we mean a group of the business elites.

² Terry Lynn Karl prefers the expression “Honey pot” for describing the source of rent-seeking behavior KARL T.L., « Ensuring fairness: The Case for a transparent Fiscal Social Contract », *op. cit.*

³ NAÍM M. et A. FRANCÉS, « The Venezuelan Private Sector: From Courting the State to Courting the Market », L. GOODMAN, J. MENDELSON F., M. NAÍM, J.S. TULCHIN et G. BLAND (dir.), *Lessons of the Venezuelan Experience*, Washington, Woodrow Wilson Center Press, 1995, p.

⁴ And logically, one in which rent-seeking behavior would not be pursued by the most differentiated and performant companies. Authors seldom insist on this point. Differentiated business elites commanding leading economic groups will not necessarily incur in outright corruption. They would prefer to negotiate their structure of costs with government officials (even if this means paying the right people). However if by rent-seeking, authors understand a situation whereby economic groups lobby the state for easing their cost structures, then this situation is fairly universal and not pertaining to oil-driven economies; and only stranger to ethereal micro-economic models. The oil state-theories posit that rent-seeking behavior in oil-countries generate unproductive economic agents. We argue that they do, but this is not the only outcome.

If this specialization holds in time, then we argue, this statistical equilibrium would become a source of hysteresis¹. Specialized companies develop certain practices. In the long-term, these practices become entrenched; producing a set of consolidated economic skills (some businessmen refer to these as ‘corporate culture’). We will refer to this second process by which specialized – and lasting – companies coexist with companies engaging in rent-seeking behavior, as an oil-driven state capitalism.

1.2.3. A long-term process of specialization: the continual screening of the business elites

As State Capitalism entails relatively long-term processes of specialization and entrenched practices, this type of state capitalism produces what we refer to as a continual screening of the business elites. This process presupposes that business elites are selected over lengthier processes than just being born in the right family or paying the good civil servant. Even if some degree of previous advantages or unscrupulousness can increase one’s chances of success, they are not sufficient to account for strategy-formation processes. In these lengthier processes, education and “climbing the rungs of the corporate ladder” (professional selection) are of major importance for differentiating business elites. This long-term selection contributes to deepening entrenched practices within specific companies. This, in return, consolidates the strategies that led companies to specialize in the first place. Therefore, this continual screening acts on strategy formation process with a feedback loop. This loop can be equated with hysteresis.

To sum up, our proposition rests on three concatenated and highly related theoretical concepts². First, the oil-driven state structures contribute to incentivizing a **statistical equilibrium** (multiple strategy-formation processes), which in turn sustains specialization and entrenched business practices (specific economic skillsets); generating **an oil-driven state capitalism** that acts as a source of hysteresis. This hysteresis rests on a business world differentiated through long-term processes of selection of the business elites: a **continual screening** of the business elites.

¹ Hysteresis is taken from works on electromagnetic physics. A system with hysteresis will only return to its “natural” state after a lag. In this case hysteresis is synonymous with stickiness or self-reinforcing mechanisms. Therefore as companies specialize and endure in time they will develop economic skillsets, which in return will entrench their strategies.

² Our argument presents a problem of endogeneity between the variables that we will solve on the research design.

This introduction also seeks to develop three more points. Having presented an outline of our theoretical framework¹, we will now highlight how our proposition adds to the literature on the strategies of business elites in oil-driven economies². We will then argue that an in-depth study of the recent Venezuelan case is sufficient for proving our argument. Furthermore, its particular nature, somewhat counterintuitively, allows for theoretical generalization. Finally, we will outline a research design to validate our three theoretical propositions³. A plan of our dissertation will close these introductory remarks.

¹ For a detailed view of our theoretical model see chapter 2

² These works involve several subfields and range from works on varieties of capitalism to works on sectoral development to industrial policy in Latin America.

³ For a detailed version on the methodological toolbox used in this dissertation, see chapter 3.

1.3. Hypotheses: the state and the structure of the business elites, incentives on strategy formation processes

Four major bodies of literature shed light on the incentives driving decision-making processes in oil-driven economies. We will only introduce them here¹. The first is the oil-state theory. The second is the neo-institutionalist critique of the neo-utilitarian view of the state. Thirdly, the *Granoveterian* new-economic sociology. Finally, the *Bourdiesian School* of genetic structuralism.

These four flocks of works divide along two fault lines. First, the oil state and the neo-institutional theory lack a *grounded*² understanding of social structures that both economic sociology and the *Bourdiesian* approach muster. Secondly, the oil-state theory and new economic sociology lack a theory of a state with active public officials that is central to both the *Bourdiesian* and the neo-institutionalist view³. However, for very distinct reasons that we will succinctly present here, neither of these last-mentioned approaches are fully equipped for describing the particular case of institutional mixed incentives and varied economic decision making processes evidenced in oil-driven economies.

For clarity's purposes, we will divide these schools of thought simplistically. First presenting the state-incentives oriented views (Oil-state and neo-institutionalism)⁴, then the social-structural-incentives view (*Granoveterian* and *Bourdiesian*)⁵.

¹ Chapter 2 provides further coverage.

² We use the term grounded to separate ourselves from the Parsonian structuralist perspective.

³ It is important to highlight that in European contexts the neo-institutionalist and the Bourdieusian schools of thought diverge on the definition of the state's transformation. However, we argue that these differences dissipate in the particular case of the oil states. This is so because the Venezuelan state –and most oil states – does not have a bureaucratic field that acts as the “central bank of symbolic power” to determine relative positions in the field of power. BOURDIEU P., *Sur l'État: cours au Collège de France (1989-1992)*, Paris, Éd. Points, 2015. In these cases, both these views understand the state as agglomerative institutions in which agents' agency is limited by their capitals or resources. In oil states, these resources are determined by the public resources obtained partly from oil rent and direct public economic intervention, but also from the regulatory branches of the state, respectively responsible for vertical and horizontal industrial policy.

⁴ We chose to limit this literature presentation to these four theoretical traditions for both theoretical motives and practical ones. Theoretically, we will not explore the literature on corporatism as it focuses on the institutional links between the government and the private sector. Our view seeks to understand the incentives for the strategy formation processes of the business elites and not solely their institutional strategy towards the state. SCHMITTER P.C., « Still the Century of Corporatism? », *The Review of Politics*, janvier 1974, vol. 36, n° 1, p. 85–131. For similar motives we will not directly concentrate on the literature on business associations in Latin America SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, Cambridge University Press., Cambridge, 2004.

⁵ This introduction will neither engage directly with the varieties of capitalism literature HALL P.A. et D. SOSKICE, *Varieties of Capitalism : The Institutional Foundations of Comparative Advantage*, Oxford and New York, Oxford

Table 1.1 School of thought by view on state and social structure

		Active State	
		-	+
Social Structure	+	<i>Granoveterian</i>	<i>Bourdiesian</i>
	-	<i>Oil-State</i>	<i>Neo-institutionalism</i>

1.3.1. Institutional incentives for economic decision-making

A first group of authors argues that state – or institutional – incentives predominantly drive strategy formation processes in oil countries. On the one hand, oil-state theories suggest that institutions work as amplifiers of macro-economic and social pressures. On the other, neo-institutionalist views argue that state intervention operates through various tools managed by public officials. This toolbox explains the incentives pressuring the business elites. Therefore, as oil industry's imprint on oil-states economies is so deep, oil-state theories put forward simplistic visions of the state's incentives, whereas neo-institutionalist views are equipped to handle more complex *scenarios*. The former are consequently not well suited for grasping complex state apparatuses.

1.3.1.1. An Olsonian view of the State: the oil state approach

Oil-state theories contend that institutional incentives –not economic ones¹ – instigate the strategy formation process of the business elites in oil-driven economies. These arguments rely heavily on leading export-sector literature², which argues that a country's predominant export sector shapes the developmental prospectus of its economy by constraining its institutional framework.

University Press, 2001 ; SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *Journal of Latin American Studies*, 2009, vol. 41, n° 3, p. 553-575. This branch of works will influence this dissertation. However, with our research design in mind, we wish to embrace a position that allows us to describe and measure business structures influenced by state institutions. We wish nonetheless to engage in fructiferous debates with the varieties of capitalism literature. As we believe our empirical contribution can work as a heuristic methodological way for grasping the strategies of agents working in troubled economic settings. We now possess the computational skills to aggregate data from concrete cases, sparing the need of rigid – and unnecessarily polished – theoretical frameworks.

¹ KARL T.L., « Ensuring fairness: The Case for a transparent Fiscal Social Contract », *op. cit.* Karl considers that the institutional translation of economic incentives produces negative outputs on oil-driven economies. Mainly because oil state economies do not finance themselves on nationally collected taxes. Therefore, oil states do not have the incentives for promoting a productive national economic sector.

² SHAFER D.M., *Winners and Losers*, *op. cit.*

Oil-states' institutional setting entrenches the effects of the Dutch disease. This phenomenon produces underperforming inward-looking economies out of efficient export sectors. Oil-rich countries, so the theory goes¹, face a dilemma that closely resembles a curse². When oil prices are high, politicians feel no urge to change the institutional scaffolding responsible for the Dutch disease; whenever prices are low, they lack the financial muscle to do so. This oil-driven, institutionally rooted set of incentives produces a rent-seeking bourgeoisie fully focused on safeguarding their "vested interests", not on pursuing productivity.

Oil-state models put forward a rigid explanation of state structures that has been invalidated by empirical research³. This inability to account for complex empirical data is subservient to the fact that Oil-states models cannot conceive states as manifold entities. Thence, oil state theories fail at understanding the empirical evidence that states in oil-driven economies exhibit overlapping uncoordinated bureaucracies; even in similar policy-realms⁴. This is so because, reclaiming Schneider's taxonomy, oil-state theories have an *Olsonian*⁵ view of the state. They grasp public institutions as amplifiers of external pressures. This perspective can hardly conceive of a state with the institutional rationale for generating different types of incentives⁶.

¹ For a critique of the oil-state theory DIJOHN J., *From Windfall to Curse?*, *op. cit.* ; FONTAINE G., « The effects of governance modes on the energy matrix of Andean countries », *op. cit.*

² KARL T.L., *The Paradox of Plenty*, *op. cit.* see note 4 for biographical clarifications KARL T.L., « Ensuring fairness: The Case for a transparent Fiscal Social Contract », *op. cit.*, p. 280.

³ DIJOHN J., *From Windfall to Curse?*, *op. cit.* ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.* ; HERTOGE S., *Princes, Brokers, and Bureaucrats*, *op. cit.* ; FONTAINE G., « The effects of governance modes on the energy matrix of Andean countries », *op. cit.* ; KAZEROUNI A., *Le miroir des cheikhs : musée et patrimonialisme dans les principautés arabes du golfe Persique*, Institut d'études politiques, Paris, 2013.

⁴ Hertog echoes this critique in his study on the Saudi state HERTOGE S., *Princes, Brokers, and Bureaucrats*, *op. cit.* Fontaine Finds similar evidence of complexity in state-business relations in the Andean countries FONTAINE G., *Petropolítica: una teoría de la gobernanza energética*, Quito, Flacso-Sede Ecuador, 2010 ; KAZEROUNI A., *Le miroir des cheikhs*, *op. cit.*

⁵ SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, *op. cit.* Ross Schneider critique of the *Olsonian* View of the State, closely resembles Evans critique of the neo-utilitarian view of the State. EVANS P.B., *Embedded Autonomy*, *op. cit.*

⁶ Fernando Coronil's –other theoretician of the oil state – framework differs from Karl's. He resorts to the Anderson notion of Imagined communities ANDERSON B., *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, London and New York, Verso, 2006. Coronil argues that the oil industry has infused a vision of an unrealistic "magical state" into the Venezuelan Polity. His argument however also rests on a phantom state that generates inefficient business elites CORONIL F., *The Magical State*, *op. cit.*

However, despite this critique, oil state theories should not be completely dismissed. First, they unveil a fascinating puzzle. Oil-driven economies produce an institutional framework that is seemingly impervious to change. Secondly, they posit that this self-perpetuating scaffolding's origin – and its continuation – is to be found in historically rooted processes. Both these elements are central to our argument. Even if, as we contend, a closer account of both these puzzles should lead to a reconsideration of this theoretical perspective.

1.3.1.2. *The neo-institutionalist critique of a state with no agency: embedding liberalism*

A second group of authors insists on the importance of institutional incentives for understanding strategy formation processes in oil states. They fall in the scope of historical institutionalism¹. For the purpose of clarity, we will only refer to authors working on the supply-side policies in Latin America², although these remarks extend beyond this geographical scope.

Among the previous authors, the literature on embedded liberalism³ is of particular interest to account for states incentives in oil-driven economies. This view does not refute oil-state's institutional explanation⁴. The embedded liberalism perspective shifts the focus of its studies. It does not ask what type of institutional setting (*i.e. oil-states*) generates what kind of incentives (*i.e. rent seeking*)⁵. It seeks to understand the mechanisms through which states incentivize the strategies of business elites.

By concentrating on the process leading institutional scaffoldings to incentivize the strategies of the business elites, embedded liberalism puts bureaucracy's rationality in the spotlight. Therefore,

¹ HALL P.A. et R.C.R. TAYLOR, « Political Science and the Three New Institutionalisms », *op. cit.*

² SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

³ RUGGIE J.G., « International regimes, transactions, and change », *op. cit.* ; EVANS P.B., *Embedded Autonomy*, *op. cit.* ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.*

⁴ Evans say that mineral exporters are exceptionally shaped by the source of their economic reliance EVANS P.B., *Embedded Autonomy*, *op. cit.*, p. 260. In a similar note Ben Ross Schneider said that Venezuela was a hierarchical market capitalism's outlier because of it was more of an "oil-state". SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

⁵ Asking this question is tantamount to explaining how much does state intervention alter the "natural" functioning of the "market", and in consequence brings little evidence on how it *positively* incentivizes economic action.

in line with other authors¹ this view insists on the paramount importance of focusing on the motives and resources that state agents dealing with (or regulating) the business elites can muster.

Because of their insistence on the study of the mechanisms of state intervention, the literature of embedded liberalism has paid particular attention to what works on industrial policy² refer to as supply-side policies³. These policies encompass public action affecting businesses' cost structure and the promotion of new sectors (*national champions*).

Therefore, following the path developed by embedded liberalism, we contend the state incentivizes the strategy formation process of the business elites by affecting their companies' cost-structures. This is true insofar as the state acts through reasonable⁴ state officials with political priorities and limited resources bounded by their institutional capabilities. Consequently from the demand-side – the business elites perspective –, incentives result from policies affecting their cost structures⁵.

However heuristic, this model, embedded liberalism, presents two major flaws. First, it fails at portraying long-term evolutions of state incentives. It is well equipped for analyzing short-term transformations in the public arena. Nevertheless, by focusing on agents' strategies it loses sight of long-term structural continuums⁶. Oil states are perfectly equipped to handle these longstanding characteristics.

Secondly, because of their focus on public agent's rationality, this view homogenizes the business world with which these actors interact. Authors tend to describe a disincarnated "business world" or "business sectors". We contend that their unproblematic understanding of business structures falls in the similar web of misunderstandings that they correctly criticize on their questioning of

¹ SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, *op. cit.* ; HERTOG S., *Princes, Brokers, and Bureaucrats*, *op. cit.*

² STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

³ CRAFTS N., « Supply-Side Policy and British Relative Economic Decline », 2001, vol.3.

⁴ Bourdieu uses *reasonable* to escape an utilitarian view that sees public officials as agents maximizing their utility. BOURDIEU P., *The Social Structures of the Economy*, *op. cit.*

⁵ In modern Venezuela, these range from difficulty in accessing foreign denominated currency (euro and dollars), price controls, the impossibility of firing workers to facing public sector competition, etc.

⁶ Their time frames lead them begin in the 1950's in the best of cases. To understand the states in oil-driven economies institutional structures we contend that a more elongated time-lapse is necessary.

the neo-utilitarian view of the state. Business elites are viewed as passive or gregarious¹, that is, a group inevitably confronted to the world economy over which they are helpless². We contend that a deeper understanding of the economic structure, which cost structures' state agents affects, also drive business elites' strategy formation processes.

1.3.2. Incentives by the social structure

A second group of authors insists the strategy formation processes of the business elites arise out of the social structures in which they are located. A first faction posits that business elites' strategy formation processes are informed by the social structure in which they are embedded³. The second argue that strategy formation processes are the result of agents with limited skillsets – or capitals – having reasonable strategies in social structures made of agents with limited skillsets having expectable strategies⁴. The former – new-economic sociology – considers however, that social structures are self-explanatory. The latter – the *Bourdieuian* school – posits that the state contributes to creating and sustaining the social structure that cinches strategy formation processes. Both bodies of works inquire about the degree of autonomy that the state has towards the social structure on which it rests⁵.

¹ This critique of a view whereby a state contributes to constructing power structures can be extended to the foucauldian view of state power. This is a large bibliography and we do not want to discuss it thoroughly. FOUCAULT M., *De la gouvernementalité: leçons d'introduction aux cours des années 1978 et 1979*, Paris, Seuil, 1989.

² A similar argument could be put forward on the oil majors. Despite their financial solidity, they are subservient to fluctuations in oil prices. In the beginning of 2016 every major oil company lost between 18% and 80% share price. If a company does not control the world markets this does not imply it is powerless. Ed Crooks in New York and Chris Adams in London "Oil majors' business model under increasing pressure" financial times 14/02/2016 <http://www.ft.com/intl/cms/s/0/cbbf5a16-d17d-11e5-92a1-c5e23ef99c77.html#axzz40DYj9F2Q>

³ GRANOVETTER M., « Economic action and social structure: The problem of embeddedness », *American journal of sociology*, 1985, vol. 91, n° 3, p. 481-510 ; SWEDBERG R., « Major traditions of economic sociology », *Annual Review of Sociology*, 1991, vol. 17, p. 251-276 ; KRIPPNER G.R. et A.S. ALVAREZ, « Embeddedness and the intellectual projects of economic sociology », *Annu. Rev. Sociol.*, 2007, vol. 33, p. 219-240 ; MIZRUCHI M.S., « Political economy and network analysis. An untapped convergence », *Sociologica*, 2007, vol. 1, n° 2, p. 1-27.

⁴ BOURDIEU P., « Avenir de classe et causalité du probable », *op. cit.* ; BOURDIEU P., « Stratégies de reproduction et modes de domination », *Actes de la recherche en sciences sociales*, 1994, vol. 105, n° 1, p. 3-12 ; BRIAN É., *Comment tremble la main invisible: Incertitude et marchés*, Paris and New York, Springer Science & Business Media, 2009.

⁵ This question was raised by Marxists in the 1970's. MILIBAND R., *The state in capitalist society*, New York and London, Basic Books, 1969 ; MILIBAND R., « The capitalist state-reply to Nicos Poulantzas », *New Left Review*, 1970, n° 59, p. 53 ; POULANTZAS N., *Les classes sociales dans le capitalisme aujourd'hui*, Paris, Seuil, 1974. This work will not focus on their view because they use an a priori modelisation of the social space. For a counter argument to the notion of social space as viewed by Marxism see BOURDIEU P., « The social space and the genesis of groups », *Theory and society*, 1985, vol. 14, n° 6, p. 723-744.

1.3.2.1. *Embeddedness and social capital*

New economic sociology (NES) relies on a theoretical perspective and a methodological appendix. Theoretically, authors argue that business elites form a social structure of interactions. Their strategies arise from their position in that social structure. With regards to business elites, NES has mostly produced works on interlocking directorates¹. In this view, similarity in outcomes bears a relationship of structural homology with agents' position in the social structure². This theory argues that whenever agents are located in "central" positions for instance, they will have a tendency to behave similarly. Therefore, according to NES, business elites' strategies are subservient to their position on the social structure of interaction.

Empirically, NES expanded the use of network analysis in the social sciences³. NES would thus understand the social structure as a network of interaction among business elites. Positions accounting for structural homology are calculated with statistics on the relative position on the web of relations.

NES' major flaw in analyzing incentives for business elites in oil-driven economies lies in that it does not consider a theory of the state. This in return will be its most important contribution. Social structures are not ancillary to state structures, nor do they require encompassing state structures to exist. However, oil-driven economies do require considering the agency of public officials.

Finally, despite the fact that NES grew as a reaction to neo-classical models their view of a state without agency falls in the scope of Evans' critique of the *Neo-Utilitarian* state or Schneider's appraisal of the *Olsonian* state. This school of thought contends that state decisions amplify social dynamics, a view that, we contend, is unfitted for understanding oil-states' rationale.

¹ USEEM M., *The Inner Circle*, op. cit. ; MIZRUCHI M.S., *The Structure of Corporate Political Action*, op. cit. ; WASSERMAN S. et J. GALASKIEWICZ, « Networks of Elite Structure and Decision Making. », *Advances in Social Network Analysis: Research in the Social and Behavioral Sciences.*, Thousand Oaks, CA, SAGE Publications, 1994, p. 274-295.

² GRANOVETTER M.S., « The strength of weak ties », *American journal of sociology*, 1973, vol. 78, n° 6, p. 1360-1380 ; MIZRUCHI M.S., « Cohesion, structural equivalence, and similarity of behavior: An approach to the study of corporate political power », *Sociological Theory*, 1990, vol. 8, n° 1, p. 16-32.

³ SCOTT J., *Social network analysis*, Thousand Oaks, CA, SAGE Publications, 2011.

1.3.2.2. Skillsets, the state and the field of power

Bourdieuian analyses over-correct the NES lack of theorization of the State. However, the relationship between state agency, and incentives for strategy formation in Bourdieusian sociology, requires a summary clarification. For Bourdieu, agents' strategies arise out of the confluence of the "objective probabilities" – the amount of resources he or she can muster –given by his or her position on the social structure, and the subjective expectation of agents with specific skillsets, fixed by their position on those social structures¹. Therefore, to understand how states incentivize strategies, we need to assess how states contribute to shaping the social structure according to *Bourdieuian* sociology.

At the center of Bourdieu's work, agents are charged with "*dispositions*": aptitudes². These accumulate to form "*capitals*": skillsets³. These skillsets are activated in fields. Fields are representations of social structures defined by the amount of capitals activated by agents belonging to that field. In Bourdieusian theory, these fields build a social hierarchy as well as a social structure; and the state contributes to maintaining social hierarchies.

Let us clarify this last point. Each field produces a social hierarchy. Therefore, each field produces agents in position of relative domination. These "dominants" have the right type and most quantity of specific capital in the field they dominate. However, societies are complex. Therefore, different types of agents dominate different fields. Agents with these different types of capitals will consequently try to impose theirs as the most important. This meta-field where different types of structures of capitals seek to gauge their relative social value is the *field of Power*⁴. According to Bourdieu, civil servants regulate this field of power⁵. However, in so doing, they do not handpick winners; they determine dominant sets of capitals.

¹ BOURDIEU P., « Stratégies de reproduction et modes de domination », *op. cit.*, p. 12.

² BOURDIEU P., « The social space and the genesis of groups », *op. cit.*

³ Skillsets must be understood as loosely as possible. For instance an agent can have economic capital and cultural capital. The former represents simultaneously the amount of money in that agent's bank account and the know how to fructify that money. Similarly, the latter is a proxy of the length of studies and the know how to pass exams.

⁴ BOURDIEU P., *The State Nobility*, *op. cit.*

⁵ BOURDIEU P., « Esprits d'Etat [Genèse et structure du champ bureaucratique] », *Actes de la recherche en sciences sociales*, 1993, vol. 96, n° 1, p. 49-62.

We need to introduce a notion before explaining this last process. In Bourdieusian sociology, symbolic capital is the capital that serves as a means of distinction *i.e.* as the way of comparing the social value of different types of capitals. For Bourdieu, the state operates as the central bank of symbolic capital. The state is the ultimate yardstick through which all types of capitals are measured¹.

Therefore, the state does not instill the right capitals into agents; it sets which stocks of capital will be dominant in specific fields. Consequently, state action affects “objective probabilities”: the type of skillsets that will be benefited. Agents will thenceforth have to adapt their “subjective expectations” to these new rules of the game; provided they have the right amount of capital to follow.

This last assertion bears important theoretical consequences. First, agents garner their capital in time. Secondly, the social structure rests on spatial distances among different types of skillsets and capitals. Bourdieusian sociology measures these distances using geometric data analysis (GDA)². Consistently with NES, bourdieusian theory proposes both a theory for understanding the social structure and an empirical tool for measuring it. Theoretically, social structures are built over long-term process, producing agents located on a social space of distance based on skillsets (or capitals).

However, Bourdieu’s pyramidal conception of an overseeing state does not match state institutional scaffolding in oil countries. This is so for two motives. The first relates to the length of the state building process. This argument would not go against Bourdieu’s argument. He posited that the process leading to the centralization of symbolic power in the bureaucratic field spanned over centuries³, and that in consequence, the form of European states was not a teleological necessity.

¹ Therefore, the state acts as the “périmétral de toutes les perspectives”: an encompassing view that regularizes societies’ hierarchies.

² ROUX B.L. et H. ROUANET, *Geometric Data Analysis: From Correspondence Analysis to Structured Data Analysis*, Boston and London, Springer Science & Business Media, 2004 ; LE ROUX B. et H. ROUANET, *Multiple Correspondence Analysis*, New York and London, SAGE, 2010 ; LEBARON F. et B. LE ROUX (dir.), *La méthodologie de Pierre Bourdieu en action: Pratiques culturelles et espace social et statistiques*, Paris, Dunod, 2015.

³ BOURDIEU P., « De la maison du roi à la raison d’État: Un modèle de la genèse du champ bureaucratique », *Actes de la recherche en sciences sociales*, 1997, vol. 118, n° 1, p. 55-68 ; BOURDIEU P., *Sur l’État*, *op. cit.* This long term process is highly criticized by other authors working on the European state KING D. et P.L. GALÈS, « Sociologie de l’État en recomposition », *op. cit.*

The second argument relates to his notion of the bureaucratic field as the central bank of symbolic capital. In Venezuela, there is no such thing as a “noblesse d’Etat”¹. Therefore, the state does not act as the sole definers of legitimate capitals. This – as recent literature reconsidering the weak American state² has argued – does not mean that the Venezuelan state is inexistent. Rather that it generated a particular set of incentives on the business world. In Venezuela, the economic branch of the state was built on merchants acting as bankers³, lawyers working for the public⁴ and the private sector⁵ and engineers working in the state industrial sector⁶.

When analyzing Latin American states some *bourdieusian* authors have tried to locate the equivalent of an omnipresent state in what they refer to as American imperialism⁷. However, as we have argued, social structures do not need to rest on encompassing states, and furthermore, bourdieusian theory can only be heightened by comparing it to other case studies.

With regards to methodological oppositions between the Bourdieusian School and NES, recent studies have shown compatibility between these methods⁸; despite Bourdieu’s reticence to Network analysis⁹.

1.3.3. Hypotheses: business elites’ strategy formation processes.

¹ PÉREZ PERDOMO R., « Réquiem para el fomento: sobre la relación entre estado y negocios a través de la historia del Ministerio de Fomento », *Politéia*, 1999, vol. 23, p. 141-162.

² KING D. et R.C. LIEBERMAN, « Ironies of State Building », *op. cit.* ; GENSBURGER S., « Contributions historiennes au renouveau de la sociologie de l’État Regards croisés franco-américains », *Revue française de sociologie*, 2011, vol. 52, n° 3, p. 579-602.

³ BANKO C., *Política, crédito e institutos financieros en Venezuela, 1830-1940*, Caracas, Academia Nacional de la Historia, 2006, vol.86.

⁴ PEREZ-PERDOMO R., *Los abogados en Venezuela*, Caracas, Monte Avila, 1981.

⁵ GOMEZ M. et R. PÉREZ-PERDOMO, *Los abogados de negocios en Venezuela*, Mimeo, Stanford University Law School, 2002.

⁶ YEPES J.A.G., *El reto de las élites*, Madrid, Tecnos, 1978.

⁷ BOURDIEU P. et L.J. WACQUANT, « Sur les ruses de la raison impérialiste », *Actes de la recherche en sciences sociales*, 1998, vol. 121, n° 1, p. 109-118 ; DEZALAY Y., « Les courtiers de l’international », *Actes de la recherche en sciences sociales*, 1 mars 2004, n° 151-152, p. 4-35.

⁸ DE NOOY W., « Fields and networks: correspondence analysis and social network analysis in the framework of field theory », *Poetics*, octobre 2003, vol. 31, n° 5-6, p. 305-327 ; LEBARON F. et B. LE ROUX (dir.), *La méthodologie de Pierre Bourdieu en action*, *op. cit.*

⁹ BOURDIEU P., *The Social Structures of the Economy*, *op. cit.*

1.3.3.1. H1. State incentives

These bodies of work help us translate our argument into practical working hypotheses. The embedded liberalism literature informs our first notion of a statistical equilibrium. In oil countries, some agents are responsible for enacting active, vertical, industrial policy (usually the industrial and technology driven sector, such as oil and infrastructure) while others regulate the economy (passive, vertical, industrial policy). This dual set of incentives will act as a structural goad for polarizing two poles of strategies. One driven by direct contact with high-level state officials and the other by agents working in regulated sectors. In between these poles, other strategies might be possible; even if risky and focused on commercial niches. Because agents on the horizontal-pole will work in sectors that necessarily involve encompassing benefits, we expect them to have more proximity with business associations. In a polarized political environment, they are expected to be the most politically driven members of the economic world.

H1. State incentives drive strategy formation processes in the private sector ranging business elites from a vertical-industrial-policy-driven incentive pole of agents dealing directly with the state and a horizontally-industrial-policy-driven pole of agents obtaining returns in regulated sectors of the economy.

1.3.3.2. H2. Specialization of the business elites

The NES and the *bourdieusian* schools help us understanding our oil-led state capitalism argument. Whenever multiple strategies coexist, agents engaged in those strategies have either structurally equivalent positions or positions of proximity in the social structure. Therefore, oil countries should present a segmented social structure mimicking the state-led pole-forging incentives. To retake the pole metaphor, the business structure should be driven by discernible poles.

However, relying on the *bourdieusian* hypothesis of multiple capitals, these poles will be built around different skillsets and resources. The first relate to the managers own skills, his or her level of education and his or her position in firms with different assets. The second relates to agent's

inherited or accumulated social capital *i.e* his or her network in the business world. Consequently, we would expect these segmented poles to discriminate agents on several dimensions: education, professional experience, social origins.

Therefore, these pole-forging incentives should translate into the specialization of the business elites, which in return would consolidate the type of economic structure that adapted to the state incentives. Therefore, if the social space were to be segmented and built around measurable “poles”, this specialization would limit the number of endeavors in which business elites can engage.

If the social structure is divided among different types of skillsets then we should expect some groups to be identified, amongst others characteristics, by their social origins. A first glimpse this would resemble a “generational divide”. However, we should expect skillsets and capitals to play a more important role than “generational effects”.

H2. Social structure incentives solidify the strategy formation process of specialized business elites. Furthermore, the spatial distance between similarly specialized business elites fits the spatial distance between similar strategy formation processes.

1.3.3.3. H3. Continual Screening of the Business elites

Finally, we will use a *bourdieusian* insight for clarifying our last theoretical argument: the continual screening of the economic elites. If the social structure is divided along multifactorial lines of opposition, we should expect the skillsets and capitals driving these oppositions to be garnered over time. Furthermore, if we expect a social structure driven by poles of strategy, then agents’ positions in the social structure should match their trajectory (scholar and professional). Therefore, we should expect specialization to be driven by long-term processes, and not by short-term, state-driven incentives.

Therefore, we should observe that business elites have different paths available to them. However, striding one of these paths would be consequential as it would prevent business elites from engaging in several other types of economic endeavors. Consequently, provided specialization rests

on long-term processes, social incentives will act with a feedback loop on strategy formation processes.

As long-term processes differentiate business elites, we should expect to see similarity of behaviors among agents with similar diplomas. This however, should not be mistaken with a scholar-driven opposition. If the oppositions in the business world were multifactorial, then we should expect similar businesses attracting agents with similar diplomas. Therefore, we should expect similar diplomas to open the doors to companies with characteristics that limit the endeavors in which they can participate.

H3. The business elites can attain positions of power in the economic world through a variety of available trajectories. Furthermore, the spatial distance between similar specialized business elites fits the spatial distance between business elites with similar trajectories. Therefore, the social incentives act on the business structure of specialized business elites with a feedback loop.

Two equally important incentives inform the strategy formation process of the business elites. The first is driven by the manifold, uncoordinated oil-state. The second, by the underlying, specialized business structure. That structure rigidifies the business world and prevents every agent from engaging freely in whichever economic endeavor he so desires.

Our definition of strategy will thusly emerge from these previous hypotheses. We will define the strategy formation process as the mechanism leading specialized business elites to adapt to policies affecting their companies' cost-structure.

1.3.3.4. H4. Business elites strategy formation processes' dual incentives

H4=H1+(H2+H3): There is a relationship of structural equivalence between the space of distances of similar strategies, similar skillsets and similar trajectories in oil countries. Thence, the strategy formation process of the business elites lies in the confluence of state mixed-incentives and the economic structure of specialized businesses.

Because of the multiple strands of literatures we used for developing our hypotheses, we found it difficult to pinpoint our approach. For French readers we would say that we propose a *Bourdieuian* analysis of the incentives for business elites strategy formation processes in oil-states. For wider audiences we would label our proposal as a neo-institutionalist critique of the oil state perspective with emphasis on social structures. If we were to label our approach we should say that we propose a structural-symbolical approach for the study of the incentives behind the decision making process of business elites in oil-driven economies. Because of this plurality of theoretical vocabularies, we will try to limit our use of specific jargon.

Venezuela constitutes an interesting case study for assessing the validity of the dual incentives on the decision-making processes model presented above. First, Venezuela has shown the type of institutional scaffolding necessary for dual incentives all through the 20th century. It should be noted that although this structure has evolved enormously¹, the separation of a state structure responsible for horizontal industrial policy and one for vertical industrial policy has remained. Furthermore, all through the 20th century, concomitantly to this dual structure, the business sector has been the ground of entrenched oppositions². Thence, historically, Venezuela has been a country with an uncoordinated state and a segmented business world.

Secondly, with regards to the last 15 years, and despite major transformations, a similar structure of incentives has been in place (under Hugo Chávez and Nicolás Maduro). After a first period of political instability, Chávez assured political balance amidst an oil boom. He never fundamentally changed the way in which oil-driven institutional structures had worked. During the same period a group of new rich, called the Bolibourgeois sprouted³. The nickname referred to the “Bolivarian Revolution”. They were called the bourgeois of the Bolivarian revolution. Under Hugo Chávez, Venezuela also had a state structure of dual incentives and a segmented business elite. Consequently, despite major political transformations, the Venezuelan case study constitutes an

¹ BANKO C., « Redefining Regional policies in Venezuela », J.W. SCOTT (dir.), *De-coding New Regionalism: Shifting Socio-political Contexts in Central Europe and Latin America*, Farham and Burlington, Ashgate Publishing, Ltd., 2012, p. 161-174.

² RANGEL D.A., *La oligarquía del dinero*, 3^e éd., Caracas, Editorial Fuentes, 1972 ; ZAPATA J.C., *Los ricos bobos*, Editorial Alfa, 1995 ; ZAPATA J.C., *Doctor Tinoco*, Caracas, Editorial Alfa, 2006.

³ GÓMEZ M., « Greasing the squeaky wheel of justice, Networks of Venezuelan lawyers from the pacted democracy to the Bolivarian Revolution », Y. DEZALAY et B. GARTH (dir.), *Lawyers and the Rule of Law in an Era of Globalization*, London and New York, Routledge, 2011, p. 19-38.

important observation ground for understanding the incentives behind business elites' strategy formation processes.

1.4. Case selection: Venezuela, state mix-incentives and specialized business elites.

We argue that Venezuela is an interesting viewpoint from which to assess the structural effects of oil-driven economies on strategy formation process. We first contend that historically, the Venezuelan state has been based on an institutional structure much more complicated than that described by oil-driven theories¹. We argue that this scaffolding can be summed up as a polar institutional structure generating mixed economic incentives. This structure has remained largely unchanged under Hugo Chávez despite major political transformations. Therefore, in Venezuela structural incentives have remained while the actors have changed tremendously. This allows us to concentrate on the structural incentives.

To unravel this frame we will begin by describing the more consensual oil-driven view of the state. A critique of this perspective will lead us to contemplate the Venezuelan state in its *original* intricacies, and in its implicit consequences for the study of business elites' decision-making processes.

1.4.1. A historical approach of the Venezuelan State: Banking and Fomento

Oil-driven theories of the Venezuelan State focus their analysis on the direct intervention of the state in the economy. These perspectives rest their cases on the notion of modernity. And they link “modernity” with the conjunct development of the oil industry and Venezuelan State institutions. For motives of clarity, we will only concentrate on the oil-state theories for this account.

Oil-state theorists in Venezuela range along two types of arguments. The first contends that oil helped modernize the Venezuelan institutions. The second says that the oil was responsible for a particular modern polity.

¹ NAÍM M. et R. PIÑANGO, *El Caso Venezuela: una ilusión de armonía*, Caracas, Ediciones IESA, 1988 ; REY J.C., « La democracia venezolana y la crisis del sistema populista de conciliación », *Revista de estudios políticos*, 1991, n° 74, p. 533-578 ; CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.* ; BETANCOURT R., *Venezuela, política y petróleo*, Caracas, Universidad Católica Andrés Bello, 2001.

The first branch is epitomized by Terry-Lynn Karl's proposition¹. She argues that because the Venezuelan state *modernized* with the advent of oil, it institutionalized the macro economic effects that oil exports are supposed to have on the economy². For path-dependency reasons, state institutions have reproduced this set of macro-economic incentives that generate rent-seeking behaviors.

In addition to this historical influence, petro states face a supplementary dilemma³. The only periods during which they could separate themselves from this curse are, paradoxically, the ones during which this architecture strengthens. During resource booms, oil states can finance their rentier citizens. Therefore, governments do not feel compelled to spend political capital on unpopular measures. In meager times, they simply do not have the political and economic resources to transform the country's institutional infrastructure.

The second perspective contends that the development of the oil industry in the 1920s affected Venezuelan polity. Fernando's Coronil's⁴ view is the most refined theoretical framework in this direction. Using Benedict Anderson's notion of imagined communities⁵ and Kantorowicz notion of the two bodies of the king⁶, he argues that Venezuelan modernity – in cultural terms – was built upon the notion that oil was the “natural body of the nation”. This “magical State”, made its citizens believe that oil was inextinguishable. Therefore, it transformed them into unproductive rent-seekers. To prove this he engages in a ferocious critique against a prevalent position in the Venezuelan social sciences. According to the view he opposes, the country had a “long” nineteenth century that ended with the democratic bi-partisan system in 1958. What he rightly argues is that “modernity” is not necessarily linked to democratic institutions. He posits that Venezuelan modernity appeared with the beginning of the oil industry and with Juan Vicente Gómez –the dictator that developed it. Furthermore, for legal reasons – the subsoil was property of the crown or state ever since the colonial period –State discourse developed an entrenched notion of an everlasting oil reserve, which came with its associated rent-seeking behavior.

¹ KARL T.L., *The Paradox of Plenty*, *op. cit.*

² HUMPHREYS M., J. SACHS, et J.E. STIGLITZ, *Escaping the Resource Curse*, *op. cit.*

³ KARL T.L., « The perils of the petro-state: reflections on the paradox of plenty », *op. cit.*

⁴ CORONIL F., *The Magical State*, *op. cit.*

⁵ ANDERSON B., *Imagined Communities*, *op. cit.*

⁶ KANTOROWICZ E.H., *The king's two bodies: a study in mediaeval political theology*, Princeton, Princeton University Press, 1997.

1.4.1.1. *Oil and modernity: an introductory critique*

Despite their differences, both these views (the cultural and institutional oil-driven, modernity perspectives) arrive at similar conclusions. As oil drove modernity, it shaped the Venezuelan institutions responsible for rent-seeking behaviors. However, their big-bang-like argument enters into an egg or chicken problem if we may be excused a mixed metaphor. If the Venezuelan State emerged together with the oil, what was there before?¹ Both institutional and cultural structures that preexisted the oil exploration must have had some consequences for path dependency to work in both their arguments. We contend that previous economic institutions were extremely important in shaping the development of the oil industry, and also the fiscal state. We argue that a historical perspective of the oil industry forces us to look into the multiple nature of the oil state.

Historians have actually raised our critique. McBeth² contends that oil did not shape the Venezuelan state, as much as the Venezuelan state actively sought to promote an oil industry by attracting foreign capitals. McBeth makes two significant contributions. The first is that Gomez came to power in 1908. He climbed to the higher offices with a coup against Cipriano Castro, the previous president and his political mentor. By 1909 he had already doubled the infrastructure budget: essentially used for building roads. Therefore, the investment policies did not begin with the “oil” exploitation.

Secondly, according to McBeth, oil was not heavily exported until 1923, even if had been discovered in Venezuela in 1914. Foreign investors were not ecstatic to finance industrial projects in a remote area, having monopoly positions in the international oil market. Several laws had to be rewritten during the 1910's to attract them. The first law that specifically targeted oil exploration

¹ The debate on nationalism for instance faces a similar struggle. Originalists argue that previous common features were necessary for “nations” to appear. Whereas modernists argue that nations were invented apiece in the 19th century DIECKHOFF A. et C. JAFFRELOT, *Revisiting nationalism : theories and processes*, London, Hurst, coll.« CERI series in comparative politics and international studies (London, England) », 2005.

² MCBETH B.S., *Juan Vicente Gómez and the oil companies in Venezuela, 1908-1935*, Cambridge and New York, Cambridge University Press, coll.« Cambridge Latin American studies ; 43 », 1983.

was written in 1919; the same year that an overhaul of the financial sector and tax system was put into law. This project was specifically directed towards the commercial, importer sector.

Therefore, reclaiming the oil-state arguments, a historical account points “oil” was not the mother of “modernization”. Rather the “legal modernization” of the pre-existing institutions in the country led to the exploration of the oil industry. Therefore, in historical terms the central factor for understanding the Venezuelan State is not the oil in itself, but the institutions that were transformed by rapid industrialization. Let us explore these institutions.

In her history of the banking sector up to the 1940s Catalina Banko¹ agrees with McBeth and deepens his argument. She contends not only that the financial structure of the state preceded the advent of oil. She also hints at the existence of multiple poles responsible for the economic policy-making under the Gómez government (1908-1935). To quote her: “The economic stability [of the Gómez regime] was only possible because of the reorganization of public finances and the multiplication of fiscal revenues through oil exploitation.”²

This quote is only understandable if we insist on the fact that oil exploitation was the realm of the Fomento (development) minister and that public finances were responsible for the Hacienda (finance) minister. This duality in the economic policy-making process was attributable to an institutional development dating back to the 19th century. It was the result of a political negotiation granted by Antonio Guzmán Blanco (1870-1889). Therefore, within this institutional framework, and *contra* oil-states arguments, we contend that the development of the oil industry was *fomento*’s (development’s) ministry most successful endeavor; not the contrary.

1.4.1.1.1. The economic institutions before oil

The double state structure was a consequence of Antonio Guzman Blanco’s institutional legacy. He came to power after the last of the Federalist wars in the country, the *Guerra Federal*³. In the

¹ BANKO C., *Política, crédito e institutos financieros en Venezuela, 1830-1940*, op. cit.

² *Ibid.*, p. 164.

³ BANKO C., *Las luchas federalistas en Venezuela*, Caracas, Monte Avila Editores, 1996.

presidency, he had still to face much of the same difficulties the country had had since the independence. First, he had to find a way of repaying international debts and secondly he had to negotiate with local strongmen – *caudillos* –, to safeguard political stability. His institutional solutions proved to be the first longstanding contribution to the state building process in Venezuela. His first historical contribution was the Fomento structure. His second, the creation and continuation of a financial market that worked as the financial agent of the state. Although both these poles of government suffered major transformations during the 20th century, the duality of state economic action was never contested.

1.4.1.2. *Modeling the industrial structure of the Fomento State.*

Guzman Blanco's concluded an agreement with the economic and political forces that existed in the country (the landowners and the mercantile class). His first contributions were what we will refer to as the *Fomento* (development) structure. We will expand on this particular in what follows. First, he promoted a structure of *juntas de fomento* (*promotion boards*)¹. This structure rested on two types of institutions. The first were regional *Juntas de Fomento*, designed to redistribute money from the central state to the regional states. These institutions were presided over by members appointed by the central state and the local Caudillos (strongmen)². The other was the central development board (*junta de fomento*), which centralized the money for major infrastructural works. These works consisted, on the one hand, on reconstructions of major buildings in the capital (the Pantheon for instance or the gas-powered lightning system) and on the other, on heavy industrial investments: mainly the railroad system³.

Guzman Blanco created a system that firstly, distributed money to the local strongmen, and secondly, financed infrastructure projects. To shorten the argument, within what we will call this *fomento* structure, the State simultaneously participated in heavy foreign-sponsored industrial investments (first only in infrastructure and soon in hydrocarbons such as asphalt) and financed the

¹ RODRÍGUEZ F. et A.J. GOMOLIN, « Anarchy, State, and Dystopia: Venezuelan Economic Institutions before the Advent of Oil », *Bulletin of Latin American Research*, 2009, vol. 28, n° 1, p. 102-121.

² LYNCH J., *Caudillos in Spanish America, 1800-1850*, Oxford and New York, Oxford University Press, 1992.

³ FLOYD M.B., « Política y economía en tiempos de Guzmán Blanco. Centralización y desarrollo, 1870-1888 », M. IZARD (dir.), *Política y economía en Venezuela : 1810-1976 : [Ed. conmemorativa de los ciento cincuenta años de la fundación de la Casa Boulton]*, Caracas, Fundación John Boulton, 1976, p. 163-203 ; GONZÁLEZ DELUCA M.E., *Negocios y política en tiempos de Guzmán Blanco*, Caracas, Universidad Central de Venezuela, 1991.

other branches of the infra-national state. For historical reasons this structure was maintained until the mid-1910s¹. After that, it was consolidated with the help of the oil industry². The Guayana metal transformation project added an appendix to this foment structure in the 1950's. This *fomento* structure managed the several state industries. For instance in the 1970's the State bought and sold all the sugar production in the country³. So, for one thing, through the *fomento* structure of the State, the Venezuelan institutions acted on the economy as major partners of heavy foreign investors, and for another, they acted as cash distributors for "connected" businessmen; *i.e.* as business actors in the Venezuelan economy.

1.4.1.3. *The regulatory function of the financial structure of the State*

During the Guzman years, another structure appeared as well. We will call this the state financial structure. To fund the federal institutions, Guzman negotiated an agreement with the merchants of Caracas. Venezuela did not have an organization that printed nationally valuable currency until the 1880. Therefore, to fund this system the State had to take its resources from the "international market". The merchants from La Guaira (based in Caracas) and other ports monopolized access to the foreign-market transactions. This group was made up of non-Venezuelans, however, it continued its business deals in the country and became part of the power structure. They even married their daughters to local families⁴.

The agreement with the government consisted of two elements. First, the Banco de Caracas (Bank of Caracas)– the stockholders of which all belonged to the Caracas business elite – would become the official state lender. Secondly, in order to have a cash flow, this bank would collect export taxes for the state and retain a percentage. Unlike the previous attempts at creating a banking system, this bank became sustainable. The system in place therefore mixed the financial structure with the activities of the port authorities. By the 1890's, the now-called Banco de Venezuela (Bank of

¹ VALLENILLA N.H., « El modelo económico del liberalismo amarillo: historia de un fracaso », M. IZARD (dir.), *Política y economía en Venezuela : 1810-1976 : [Ed. conmemorativa de los ciento cincuenta años de la fundación de la Casa Boulton]*, Caracas, Fundación John Boulton, 1976, p. 203-246.

² BOUÉ J.C., *Venezuela, op. cit.*

³ YEPES J.A.G., *El reto de las élites, op. cit.*

⁴ BANKO C., *El capital comercial en La Guaira y Caracas (1821-1848)*, Caracas, Academia Nacional de la Historia, 1990.

Venezuela) stopped being exclusively an appendix of the State and started lending money to the “private sector”. It was also authorized to print money. In spite of its importance, scholars usually overlook this particular branch of the government. It is perhaps because it is the most non-state part of the State.

Let us clarify this proposition with an example. In the 1900’s the president of the Banco de Venezuela –Manuel Antonio Matos¹ – waged war against the president of that time; while still a major stockholder of the bank acting as a lender to the state. Their opposition had to do with the financial capacities of the state. Their failure to agree on a credit plan led the president of the republic to take a stand against the state lender. Nevertheless, the memory of this opposition should not hide the fact that the banking structure was central in the economic development of Venezuela. Here is a proof of its importance: by the 1920’s the State stopped collecting taxes from the Banco de Venezuela because it was considered the “fiscal appendix of the state”²; and it made no sense to do so.

This banking system was challenged during the first oil period (1923-1929) by international – mainly American, but also Canadian and Dutch – banks. However, during the 1929 crisis the international banks left Venezuela and only returned in the 1990’s. Another major transformation hit this banking system with the creation of the Central Bank in 1940, depriving the Banco de Venezuela of its money-printing as well as its fiscal capacities, which were transferred to the Central Bank and the finance minister. During the 20th century these banking and fiscal structures were under the supervision of the Ministry of Finance. The person that occupied this ministry usually had a background in the banking sector. This is why we will call this the “financial structure of the state”. We integrate into it the regulatory agencies of the banking system and the non-oil fiscal structure (which in modern times is extremely important: import, consumption and earning taxes).

The importance of the financial sector

¹ BANKO C., *Manuel Antonio Matos*, Caracas, Editorial El Nacional, coll.« Biblioteca Biográfica Venezolana », 2002.

² VALLENILLA N.H., *Formacion y crisis de un sistema financiero nacional: Banca y estado en Venezuela 1830-1940*, 1986 ; BANKO C., *Política, crédito e institutos financieros en Venezuela, 1830-1940*, op. cit. ; CRAZUT R., *El banco central de Venezuela Notas sobre su historia y evolución en sus 70 años de actividades*, Caracas, Banco Central de Venezuela, 2010.

Venezuelan economic analysis systematically overlooks the influence of the banking system structure on the strategies of the economic elites. Figure 1.1 shows a simplified depiction of investment in real bolivars in Venezuela from the 1920s to 2008. For this chart, we took the data points every 5 years from 1920 to 2008¹ to appreciate the shape of this evolution. It gives us two types of information. First, it organizes Venezuela's investments by actors (oil investment, public investment and the private investment)². Secondly, it shows a ratio of private over public spending. When that ratio is 1, public and private spendings are equal; when the ratio is 7.5, private investment is seven times more important than public outlays.

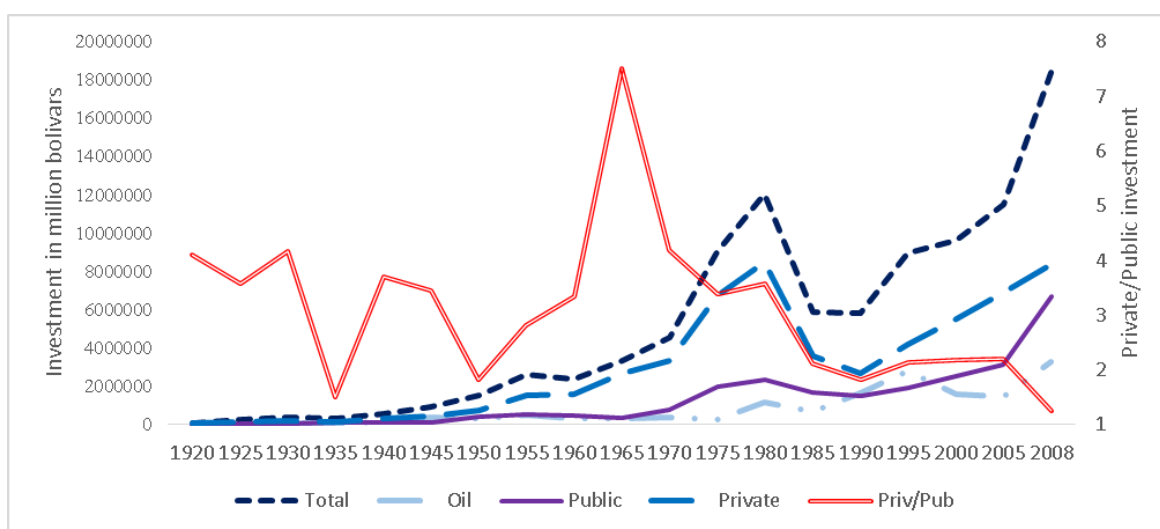


Figure 1.1 Investment in Venezuela by type of actor in million Bolivars of 1997 every five years and Public private ratio. Source: Baptista 2011

For private investment to exist, local economic elites must have access to loans either in bolivars or in dollars. However, in order to exchange bolivars into dollars a functioning central bank is required. Therefore, by looking at private investment, we are indirectly looking at the importance of the financial structure of the country. From this graph, we can infer two elements that throw light on the importance of this structure.

¹ The data is in a physical book.

² BAPTISTA A., *Bases cuantitativas de la economía venezolana, 1830-2008*, Caracas, Fundación Artesano Group, 2011, p. 377-380. Baptista 2011 :377-380. Further proof that the private investment has been overlooked can be found in how the numbers were crunched. The private investments were obtained by subtracting the general investment and addition of the public and oil investment in the country. During the 1970's for instance private investments were eight times more important than public ones.

First that the total investments in the country has risen since the 1920's. However, they rose until 1980 and then fell sharply until 1990. From that point onward, they regained ground until 2008. Economic recovery did not begin with Chavez. It started in the 1990's.

This is why we argue that the processes we will describe are structural in nature. If we look more closely, most of the drop in investments in the 1980's was provoked by a fall in private investment after 1980. Public investment suffered a little contraction from 1980 to 2000 and then sharply rose from 2005 onward. Still, reading into the desegregated level, oil investment grew until 1980, fell slightly until 1985, rose back up until 1995 and finally collapsed until 2005. Only from that time did oil investments pick up once more.

Secondly, from figure 1.1 we see clearly that all over the period, private investments have been higher than public or oil investments in the country. Between 1950 and 1965, it went from two times higher to eight times. Then the tendency changed: this gap has never ceased to shrink since that time. In 2008, public investments were as high as private investments. However, this does not mean that private investments stalled under Hugo Chávez. After the decade in which private investment was divided by two – hence from 1990 onward –, it has risen rapidly in real terms. In 2008, real investment was at the same level as it was during its 1980 peak. In addition to this, total investment has never been higher. In 2008, it went up to 20 trillion of 1997 Bolivars (41 billion dollars at 1997 exchange rate¹). Almost half of that was invested by the private sector, 40% by the State and 10% by the oil industry.

With the help of this graph, we draw two conclusions in order to appreciate the relevance of this multiple-state hypothesis. First, investment contractions during the 20th century are more closely linked with declines in private investment than with public or oil investment. Therefore, it is clear that the private sector is of vital importance for understanding the economic processes at play in the country. Secondly, a rise in the oil investment (as we saw, it is one of the major sectors in this fomento structure of the State), is not contrary to a rise in private investment. The Venezuelan economy rests on two legs, and these produce different results.

1.4.1.4. In the shadow of Fomento and Finance: a specialized and contentious business world.

¹ To give a general idea. BAPTISTA A., *Bases cuantitativas de la economía venezolana, 1830-2008*, op. cit.

From this historical account we may argue the Venezuelan state generates mixed incentives through this polar structure of economic intervention. First, through the *fomento* structure, secondly, the financial structure. The latter does not completely belong to the State as is true in most of the world's financial systems.

These two structures produce different incentives. The first is responsible for vertical and direct industrial policy. Within it, the State invests in the industrial sector and participates in the economy. The other is a monetary and regulatory arm and implements the horizontal and encompassing industrial policies. Through this system, the state affects the lending machine and the exchange rate, as well as the taxing system.

Expectedly, this polar state harbored several oppositions in a business world led by economic agents operating on the vertical and horizontal incentives. For the purposes of these introductory remarks we will only highlight one of these oppositions: the banking struggle of the 1980's and 1990's, which is by no means the only of such wrangles during the 20th century. However, it crystalizes the opposition between groups whose strategies rested on the different incentives available through public economic intervention.

This opposed two “groups” of economic agents. These factions were not united clusters of companies – such as cartels –, but flocks of enterprises with similar strategies. Interestingly, these groups could be located on a spectrum of political affiliation, with one end mainly financing left wing groups predominantly and the other right wing parties¹.

On the one end of the spectrum were located companies with more conservative strategies. These involved lower returns on deposits and less voracious strategies of mergers and acquisitions. On the other hand, a kernel of banks had capitalized on the fixed exchange rate and the burgeoning stock exchange market in the 1980's² to engage in speculative investment. The return on investment of these strategies was magnified in 1989, when fixed lending rates were dropped.

¹ It should be noted that in Venezuelan politics it was not unusual practice to finance parties of all stripes. Preferences, drove more funds to one party over another. Interview Gag 15/02/2012.

² The stock market was practically inexistent in the 1970's YEPES J.A.G., *El reto de las élites*, op. cit.

A very well informed source, close to one of the more conservative banks, summed up this struggle with an anecdote. In a reunion of several top-banks' CEOs, one of the owner of a speculative bank, told the CEO from a conservative institution: "there are banks that like planting little trees, we are here to make money". This sentence referred to one of the conservative banks' social programs: they planted trees in one of the mountains surrounding Caracas. However, it also referred to their different strategies, one wanted to "make money" the other to engage in long-term accumulation.

Interestingly, strategies matched banks' histories. Conservative banks were closer to the mercantile interest groups since the end of the 19th century (Such as Banco de Venezuela and Banco Mercantil), and had close to centennial organizations. On the other hand banks that engaged in speculative strategies made their fortunes either during the 1960's and 70's. For instance, the *Banco Latino* (Latin Bank) was known as the bank of the "twelve apostles"¹. This was a group of businessmen financed by the social-democratic AD (Acción democrática, democratic action), to supposedly form an alliance against more "oligarchic" groups². However, Orlando Castro could also be linked to this group of speculators. Although he made his fortune during that same period he did not belong to the group of the twelve apostles. His first endeavors led him to found an insurance company for heavyweight trucks.

Matching our theoretical framework, the more conservative group had a long-term strategy resting on the benefits accorded to them by the financial arm of the state, first through the Banco de Venezuela-led system and then the Central Bank of Venezuela. The second group invested their yields from state-linked activities, or from exploiting niches in the Venezuelan economy, in the banking system. Thus, different incentives produced specialized business elites.

The most vivid confrontation between these two groups crystalized in the hostile takeover of the Banco de Venezuela led by Orlando Castro³. Stakes became so high that the market capitalization of the Banco de Venezuela in 1993 was as high as that of the Chase Manhattan bank in the same

¹ Interview Aqu 17/08/2011

² DUNO P., *Los doce apóstoles: proceso a la degradación política*, Valencia, Vadell Hermanos, 1975.

³ ZAPATA J.C., *Doctor Tinoco*, op. cit. And interview Ber 16/04/2015.

period¹. This confrontation led to the most important banking crisis the world has witnessed in relative terms in 1994 (60% of financial assets affected)². Coincidentally the group of conservative bankers was closer to the president of the time – Rafael Caldera – who rescued their banks in priority, leading other business groups to bankruptcy³. This banking crisis opened an impressive space for international groups to enter the banking system (such as the Spanish group Santander and BBVA or the Chilean group Corp-Banca). However, the more speculative bankers did not disappear. And as Leslie Gates precisely demonstrates, they financed Hugo Chávez’ campaign in political retaliation⁴. Not only was this group handed power in order to get revenge over their enemies, one of the most successful speculators of the 1980’s– Juan Carlos Escotet, the marching general responsible for the Banco de Venezuela’s hostile takeover – used his capitals to form the grupo Banesco; the first private financial group in Venezuela today.

This example highlights the fact that business struggles in Venezuela were at the crossroads of both state incentives and the structure of specialized business elites. Strategies are the result of superposed incentives that is those emanating from the banks’ histories, the corporative culture and state incentives. Any explanation that solely focuses on political factors⁵, state incentives⁶ or the characteristics of the business sector⁷ for explaining the managerial strategies of CEOs in the country lacks a fundamental piece of the jigsaw.

However, few powerful economic agents active during those years are in positions of power nowadays. We will not be dealing with this, however in our dissertation. This introduction deals with business elites strategy formation processes in 2012-2014 Venezuela. What remains, we argue, are the structural pressures of the olden days (mixed-incentives and specialization of the business elites). Consequently, Venezuela is an oil-state with a stable set of institutional incentives.

¹ And interview Ber 16/04/2015

² AROCHA M. et E. ROJAS, « La crisis bancaria en Venezuela: antecedentes, desarrollo e implicaciones », Santo Domingo, 1995.

³ GATES L., *Electing Chavez: The Business of Anti-neoliberal Politics in Venezuela*, Pittsburgh, University of Pittsburgh Press, 2010.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

⁷ NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas: su gerencia*, Caracas, Ediciones IESA, 1989.

Nonetheless, as we will show, structural stability was the result of profound political transformations. Therefore, the Venezuelan example should prove to be a “laboratory” in which institutional incentives are surprisingly stable (after a period of turbulence) as major political transformations were taking place. This makes the Venezuelan case a fabulous ground for understanding oil-states structural incentives on the strategy formation process of business elites.

1.4.2. The Chávez effect: a gatopardian transformation

Before Chávez became a pillar of Venezuelan politics in the early 2000's, he had to grab the presidency from the hand of the collapsing “fourth republic” (the previous bi-partisan system). This downfall also swept away the previous “traditional names” of Venezuelan capitalism up to that point. Most power brokers of the 1970's and 1980's were dislodged by this political and economic collapse¹.

Dragging that political instability into his first years of government 1999-2003, by 2003 he had become an unavoidable figure in the political landscape. He was lifted by the commodities boom of the 2000's, and the executive's use of the institutional power of the oil state, which in fact resembled that of his predecessors.

Despite a major political and economic cataclysm², Chávez presence in the presidency was a truly gatopardian in nature: everything changed so that nothing had to. In this movement, individual actors vanished but structural incentives remained. This is why we contend that Hugo Chávez' Venezuela is an important laboratory for understanding the structural incentives in oil countries.

¹ ZAPATA J.C., *Los ricos bobos*, op. cit.

² This is the only topic in which there seems to be consensus on Hugo Chávez. He headed over a large political transformation with major effects. ELLNER S. et M.T. SALAS, *Venezuela: Hugo Chávez and the decline of an « exceptional democracy »*, Boulder, Co, Rowman & Littlefield Pub., 2007 ; COMPAGNON O., J. REBOTIER, et S. REVET (dir.), *Le Venezuela au-delà du mythe: Chávez, la démocratie, le changement social*, Paris, Editions de l'Atelier, 2009 ; CORRALES J. et M. PENFOLD, *Dragon in the Tropics: Hugo Chavez and the Political Economy of Revolution in Venezuela*, Washington, Brookings Institution Press, 2011 ; PONNIAH T. et J. EASTWOOD (dir.), *The Revolution in Venezuela: Social and Political Change Under Chávez*, Cambridge, MA, Harvard University David Rockefeller Center for Latin American Studies, 2011 ; SMILDE D. et D. HELLINGER, *Venezuela's Bolivarian democracy: participation, politics and culture under Hugo Chávez*, Duke University Press, 2011.

1.4.2.1. *The fall of the Ancien Régime.*

1.4.2.1.1. The political decline of the populist system of elite conciliation

To paraphrase Toqueville in the *Ancien régime and the Revolution*¹, the context in which Chávez took over the presidency, is that of Venezuela's recent presidential history. Since 1961, Venezuela had had two main political parties that had alternated in power, the Social Democrats (Acción Democrática o AD) and the Christian Democratic party (COPEI)². There were other parties, but although they were able to get their candidates elected to the legislative branch, they never reached the presidency, except in the final years of what has been called the "Fourth Republic" (the period from 1961 to 1998). This political pacted-democracy involved also an economic pact with the business figures of the time³. This was a "political pact of conciliation among the elites"⁴ – political and economic – that began dissolving in the 1980's with the first devaluation and the ensuing rise of poverty.

Between 1989 and 2005, amidst severe economic conditions the bi-partisan system slowly crumbled. The Social Democratic President Carlos Andrés Pérez (CAP) was a candidate for the 1988 elections. He built his campaign on his reputation. He had governed during the time of very high oil prices in the 1970's "Saudi" period. He won the election with a surprisingly high margin and was triumphantly inaugurated in January of 1989⁵. Going against his campaign promises, he tried – and partially failed – to implement a wide range of structural adjustment policies⁶. By

¹ TOCQUEVILLE A. de, *L'Ancien régime et la Révolution*, Paris, Folio, 1985.

² This structure saw two parties in the presidential power. On the left, a social-democratic parti (Acción democrática – AD) was opposed to a right wing Cristian democratic parti (Comité de Acción Política Electoral independiente – COPEI). From 1958 to 1993 AD won the presidential election five times (four presidents: CAP was elected to times) and COPEI two times.

³ BONILLA F., *The Failure of Elites*, Boston, MIT Press, 1970 ; YEPES J.A.G., *El reto de las élites*, op. cit. ; NAÍM M. et R. PIÑANGO, *El Caso Venezuela*, op. cit. ; REY J.C., « La democracia venezolana y la crisis del sistema populista de conciliación », op. cit.

⁴ REY J.C., *El sistema de partidos venezolano, 1830-1999*, Caracas, Fundación Centro Gumilla, 2009.

⁵ RIVERO M., *La rebelion de los naufragos*, Caracas, Editorial Alfa, 2010.

⁶ Some authors argue that the country underwent massive transformations during the years of liberalization policies BUXTON J., *The Failure of Political Reform in Venezuela*, Farnham, Ashgate, 2001 ; ELLNER S., *Rethinking Venezuelan Politics: Class, Conflict, and the Chávez Phenomenon*, Boulder, Lynne Rienner, 2009. The political strongmen we were able to contact for interviews argue that reforms were not pushed as far as they could have gone. This view is shared by another school of thought CORRALES J., *Presidents Without Parties: The Politics of Economic Reform in Argentina and Venezuela in The 1990s*, Pennsylvania, Penn State Press, 2002 ; HAUSMANN R. et F. RODRÍGUEZ, *Venezuela Before Chavez: Anatomy of an Economic Collapse*, Pennsylvania, Pennsylvania State University Press, 2014.

December of 1991, CAP had survived politically a massive hunger riot in Caracas in 1989¹ and two attempted coups d'états. (The first one was commanded by Hugo Chávez). He was impeached in 1992 under corruption charges. By January of 1993 an interim president – the historian, Ramón J. Velazquez – replaced him. In 1994 Raphael Caldera, running without the party he had founded – COPEI –, won the presidency by forging an alliance with the extreme left MAS (*Movimiento al Socialismo*) party. In 1994 he had to face the most important banking crisis in recent history (60% of financial assets were affected). These bankruptcies and the refinancing programs that ensued drained the executive's margins of actions, and this was exacerbated by falling oil prices.

1.4.2.1.2. The fall of the Big names of the Caracas economy.

That political hurricane blew traditional economic powers away. Weakened by the financial crisis of 1994 and hit by over a decade of increased competition in the national market, they were losing ground to two very different kinds of “new rich”. The first kind were “born” – that is, they started their business activities – in the 1990's and had been fostered by the first market reforms implemented by CAP and Caldera. Those “yuppies” gained positions in the banking sector and in the emerging telecommunications market. The second kind was made up of multinational companies that multiplied their presence in the country.

One of the effective measures adopted during the neoliberal era opened the market to foreign investors. The reform allowed foreign capital to own companies in the country. This new scenario changed the economic balance of power in several sectors. First, the agribusiness sector lived through a phase of consolidation and vertical integration during the 1990's. As one of the CEO's of a multinational company told us, when he started his career in Venezuela there were 12 “players” in the cooking oil sector, at the time of the interview there were 3 and two of them were major multinational companies.

¹ MAYA M.L., « The Venezuelan Caracazo of 1989: popular protest and institutional weakness », *Journal of Latin American Studies*, 2003, vol. 35, n° 1, p. 117-137 ; VÁSQUEZ LEZAMA P., « El Caracazo (1989) y la tragedia (1999): Economía moral e instrumentalización política del saqueo en Venezuela », *Cuadernos Unimetanos*, 2012, n° 30, p. 5-15.

An auto-parts exporter referred to the economic liberalization policies as *una apertura desconsiderada* (an inconsiderate free-trade policy). He had exported up to 150 \$ million annually, but his revenues fell sharply when controls fell suddenly¹.

Similarly, in the telecommunications sector, a CEO that benefited from liberalization policies recounted that the “*ley de apertura*” – law liberalizing – the telecommunication sector opened the doors for both entrepreneurs and foreign groups to strive. None of them were linked with the “traditional capital”². On a vast array of sectors the traditional capital in Venezuela was threatened, because of both state incentives and the effects of economic liberalization in the 1990’s. Therefore, our case study on Venezuela on which we base our conclusions, has less to do with individualities than it does with structural constraints.

1.4.2.2. *The Chávez Hurricane: Change in structural stability*

1.4.2.2.1. From instability to political order 1998-2005

Chávez won the 1998 election on the recently calmed ruins of a political battlefield. The macro-economic conditions had been brought to a satisfying equilibrium, but GDP was faltering, poverty was on the rise and the political system was torn apart. For the 1998 election, the three front-runners belonged to neither of the “traditional” parties, including the historic opposition parties. When Chávez got to power in 1999, and swore “over this dying constitution” that he would replace it, he was opening the door to a massive political transformation he would himself induce.

Following a first period of instability (an oil strike and an attempted coup d’état in 2002 by segments of the business elites), Hugo Chávez hung onto to power. By 2000, his party had won the vast majority of the political electoral positions (national and local). Since 2003 – when the government implemented a monetary exchange control – the executive had oversight over the attributions of foreign currency in the country. Finally, the opposition refused to participate in the 2004 national assembly elections. Therefore, by 2005, the chavist influence was able to single

¹ Interview Pocahontas 16/02/2012.

² Interview Nazareno 02/10/2011

handedly designate the judicial and the electoral powers¹. In 13 years, Chávez went from being an imprisoned, rebellious military cornel, to the most powerful political man in Venezuela's 20th - and for what had occurred already of 21st – century. Once in power, Hugo Chávez revived a state structure of mixed incentives. His political use of the mixed-incentive state structure, exaggerated the dual effect of state incentives. This in return entrenched business elites in their specializations.

1.4.2.2.2. The new rich of the political hegemony: a specialized business elite

We contend that the political use of the uncoordinated state structure under Hugo Chávez exaggerated the differences in the social structure by deepening the rift between specialized business elites. This was so because the government had limited institutional talks with business associations. This naturally gave power to the “technical” associations – at best, and personal contacts at worse – and reduced the scope of companies' influence.

Institutionally, there was a first event that entrenched business elites into their realm of specialization. After the lapse between 2002-2003 there were episodes of intense confrontation between the government and the economic elites². As a consequence, governmental executives interrupted institutional talks with the private sector. For political reasons the government distanced itself from what it considered to be “old money”.

This created a separation between those who benefited from direct contact with the government and those who adapted to regulatory transformations. This allowed for the creation of a new group of individuals who had in common the fact that they did not “belong” to what the government considered being the oligarchy. Journalists rapidly called these men bolibourgeois – the bourgeois of the Bolivarian revolution thought to have made fortunes of their personal contacts with state officials. Interestingly, these men had personal access to the government when previously a form of collective contact had been installed, although direct contact with the executive has always been a substantial part of the businessmen's toolbox³. On their side, these bolibourgeois rapidly

¹ Venezuela's constitution has 5 powers: executive, legal, judicial, electoral and moral. The electoral, the judicial and the moral power are designated by the legislative and the executive.

² Even employees in the oil companies tried a national oil strike.

³ NAÍM M. et A. FRANCÉS, « The Venezuelan Private Sector: From Courting the State to Courting the Market », *op. cit.*

accumulated wealth. As “traditional elites” were banned from direct state contracts, the Bolibourgeois took over this oil-rich, niche in the Venezuelan economy¹. This massive empowerment forced the government to act against them. During a banking crisis in 2009 the government attacked the positions of their most central representatives.

Therefore, Hugo Chávez’ political capital did not translate into a normalized business environment. At the head of what he called, from 2006 onward, a “socialist revolution”, he had a very tense relationship with Venezuelan capital. This was not a completely irrational behavior as some businesspeople actively fought to take him out of office. Thence, authors describe the Venezuelan “market” as highly volatile, turbulent even². Economic actors felt this unpredictability in their day-to-day activities. As one businessman told us during an interview “Venezuela is a great place for a business environment defined by its lack of economic stability and legal predictability”³.

Having failed to rebuild a group of new rich, after 2009, the government was forced to reopen technical talks with business associations. However, contrary to the encompassing power they had held in the past, economic elite’s business associations were left with a very circumscribed range of action. For instance, during our fieldwork, we had access to how the government renegotiated the law on malls with Cavececo (Cámara Venezolana de Centros Comerciales –Venezuelan Chamber of Commercial Centers). The government heard what this board had to say on several points such as the opening hours of the Commercial Centers. However, although the family that occupies the presidency of that Chamber represents central businessmen in the country, their influence has been reduced for institutional and political reasons.

Bolibourgeois, social decorum and economic strategy.

The Bolibourgeois are the butt of jokes and even certain revulsion among more established businessmen. When asked to give an opinion about that “dreaded” group during interviews, most

¹ ABBOTT K.W., J.F. GREEN, et R.O. KEOHANE, « Organizational ecology and institutional change in global governance », *Available at SSRN 2293678*, 2015.

² PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

³ Interview with Pytagores

agents in elite positions distanced themselves from them; even those that could be labeled Bolibourgeois. They accused these new rich of “bad [business and non-business] practices”. Allow us to give two instances of this. First, during an event in a five star hotel in the Venezuelan countryside, the president of the most important business association said that he did not mind the *nouveau riche*, even if they all had installed TV’s in their bathrooms, as long as they made money. Fedecamaras would embrace them, he added, in front of an appreciative audience¹. Secondly, we conducted an interview with a famous media commentator on social events. He had been invited to several parties organized – by the revolution’s bourgeois – in prestigious dancing halls in the capital. Members of the bolibourgeoisie overspent on decorations that he felt were “*de mal gusto*” (of bad taste). He added that those parties did not have the elegance that characterizes the more traditional families².

Some agents, superficially, presented these differences as resting on day-to-day behaviors. However, in two other interviews agents defined these new rich by their money-making strategies. According to a telecommunication company CEO, they were simply not businessmen. They had made lots of money, but they were not what he would call true company builders. There were several ways you could earn money, he added, robbing a bank, for instance³. The core of his argument was that thieves were not businessmen. The problem he focused on related to the process that led them to occupying positions of patrimonial power in the economic world. As the young president of a trading company said : “in this country you can make a lot of money by graduating in drinking at the bar by the corner”.

In this degrading view, Bolibourgeois were the result of a superposition of bad taste, “erratic” business practices and unmerited shortcuts into positions of patrimonial expansion. However, this negative view underlines the fact that specialization rests on social distinction, economic strategy and business trajectories. In line with our empirical framework, unidimensional oppositions cannot grasp the bolibourgeois.

¹Event attended

²Interview with rolo

³Interview Nazareno. 09/10/2011

1.4.2.3. *An oil-driven, mixed-incentives, uncoordinated state under Hugo Chávez*

This segmented economic structure was the result of an uncoordinated state that produced mixed-incentives. We will portray this assertion with two concurrent examples. The economic crisis of 2014 showcases an instance of the oil-state under Hugo Chávez producing a set of mixed incentives. We will then show that this contradictory output was matched with an uncoordinated state, portrayed by the *mission vivienda* (the housing mission).

1.4.2.3.1. *An institutional structure of mixed incentives*

The 2014 economic crisis evidences a state structure producing mixed-incentives. Let us sum it up briefly. This particular economic phase was dire, and was characterized by high inflation (around 100% annualized inflation in 2014¹), massive basic food shortages, a high monetary liquidity and a rampant devaluation provoked by a shortage of dollars.

Since the oil industry provides 95% of the country's exports, the government had to face a cash-flow crunch. The classic oil-state argument would perfectly describe this situation. After a period of oil-boom, the state overspent and found itself without resources. So much so, that it did not even have money to import basic goods.

The real argument is a bit more complicated. During the 2002 economic crisis, in which major capital flows occurred, the government decided to implement an exchange control on foreign currencies. The government responded with a fixed currency and the creation of an office for attributing rationed dollars (Cadivi: Comisión de Atribución de Divisas² -Comission for money-exchange assignment). The system worked, with some imperfections, until 2009.

These "imperfections" led to the existence of a black market for currencies. This allowed businessmen to have access to regulated currency and to sell bolivars at black-market prices, thus

¹ Source BCV, the inflation rose up to 200% in 2015

² The Comission for the attribution of foreign currency was replaced by the CENCOEX (Centro Nacional De Comercio Exterior) in 2014. Interestingly it should be noted that this was not the only solution made available to him. Some of his most important ministers urged him to devaluate as a way of stopping cash flows. His decision to impose a currency exchange control installed Jorge Giordani and the grupo Garibaldi into power. *Correspondence with former minister.*

generating important returns¹. The government reacted to this problem by strengthening regulation, causing delays between the delivery of the permits and the transfer of dollars by the Central Bank. This set the basis for a liquidity crunch in the middle term. Furthermore, this did not save the country from capital flows, and it severely reduced the international reserves.

To finance over-spending mainly during the 2012 campaign, the government, in addition to shrinking the reserves, asked the Venezuelan oil company to go into debt in Bolívars. The Central Bank started buying the oil's company debt with inorganic currency. That drove liquidities up in a time of high political uncertainty (Chávez was dying of cancer). To finance its massive deficit of around 15 per cent of the GDP, the government further indebted its national oil company so that by 2014 it had a debt with the Central Bank as big as its yearly exports ². In the midst of this uncertainty, since no economic actors were interested in investing in the country, and liquidities went up so rapidly, this system pushed the black market dollar from a 1:2 proportion to a 1:12 proportion in four years.

Concisely put, the country overspent and in 2015, it had a massive liquidity problem. However, only if we factor in the cumulate effect of the financial structure of the state and the economic power of the oil industry can we account for the extreme economic situation the country was experiencing in 2015 before oil prices started falling. If it were only for the rentier equation, the government would not have had the leeway it had enjoyed by 2015.

One may inquire why the state maintains a structure of mixed-incentives *i.e.* one in which public funds finance the economy through different public offices. Medrano reveals two extremely important motives³. First, because non-oil taxes are a tremendous source of revenues. They were responsible for as much as 10% of GDP in fiscal returns between 2000-2010⁴. Secondly, because, the funds invested by PDVSA were subservient to the executive. Therefore, a segmented structure of economic policies gives enormous leeway to the office of the presidency. In this regards the

¹ That legal black market was forbidden in 2009 and re-legalized in 2014. The new SIMADI 2, was not a free floating market. The black market exchange rate was still active as of the writing of this dissertation in 2016.

²http://www.el-nacional.com/economia/Deuda-Pdvsa-BCV-supera-exportaciones_0_472752901.html
http://www.el-nacional.com/economia/Pdvsa-ingresos-financiando-venta-crudo_0_620937952.html

³ MEDRANO CAVIEDES C., *Analyzing fiscal implementation gaps in Venezuela: the policy design of a new '« rentier » architecture (2000-2010)*, SciencesPo, Paris, 2015.

⁴ *Ibid.*, p. 142.

government systematically under estimated the prices of oil for its budgetary projections¹, and could use the surplus benefits discretionarily.

Therefore having a segmented state bears some logic in regard to public officials' rationality. We further contend that not only did the state under Hugo Chávez produced mixed-effects. Segmentation also led to *incoordination*.

1.4.2.3.2. An uncoordinated state

The Gran Mission Vivienda Venezuela (Major Venezuelan Housing Mission) exemplifies this contradictory regulation. In reaction to massive floods in 2009, the government built a large accommodation system to reallocate the victims – and win votes before the oncoming 2012 presidential election. According to the government, it built around 500.000 houses or apartments. Politically, however, the presidency did not want to offer these important state contracts to national companies. Therefore, it made agreements with Chinese and Iranian conglomerates. This had two consequences. First, Chinese companies sub-contracted with national companies in the national coin, the Bolívar² even though the agreements with the state were concluded in dollars. Secondly, when the executive branch ran out of cash, it started contracting with national companies once again, but in bolivars.

Contracts in dollars are interesting for two reasons; first, they are a good refuge currency in an economy with high inflation. Secondly, because contracts with the government are signed at a very profitable rate. Therefore, for agents in the country, contracts in dollars can be extremely beneficial. If, for instance, the state concludes a contract of one building costing 1 dollar at a 6.4bs/\$ exchange rate with a 70bs/\$ black market, businessmen do the following. Either they calculate a cost structure at a higher exchange rate, 10 bs/\$, for instance. They will say to the government that one building costs 10 bolivars, when in fact it costs 6.4 bs. The surplus in bolivares can be exchanged in the rapidly devaluing black market (making rapid margins). The main way to make money is however to buy to one's subsidiary and at an exaggerate cost structure in dollars. So for instance if one has a contract with the government, the company can buy to itself in dollars at an inflated price. Therefore, the company's surplus is highly exaggerated. If a company receive 1 \$ at 6.4bs/\$ by

¹ *Ibid.*, p. 162.

² The Venezuelan currency

buying to itself in dollars, the same amount of bolivars is automatically multiplied by 10; as it can be sold on the black market. Dealing in dollars yields greater advantages than dealing in bolivars. Therefore, through this mechanism, the state not only gave massive returns to foreign contractors. It also handed money to the “bad businessmen” it supposedly wanted to keep away from state contracts. This happened because a different ministry than the ones that negotiated the international contracts had to oversee the buildings being built in Venezuela.

As expected, this segmented state produced mixed-incentives that were unequally distributed to different types of economic agents. Consequently, under Hugo Chávez and Nicolas Maduro, state incentives entrenched already specialized business elites.

Therefore, Venezuela is a great observation spot to test the internal validity of our theoretical framework. Individuals were swiftly swapped in a country that maintained structural incentives intact for political motives. The country under Hugo Chávez and Nicolás Maduro – still – has an uncoordinated state generating mixed incentives and segmented, specialized business elites. We will now propose a research design to test the validity of our hypotheses.

1.5. Research design: a mixed-method approach for the study of business elites.

Our dissertation accounts for the structural incentives that sustain the strategy formation process of business elites in Venezuela under Hugo Chávez and Nicolás Maduro. We prove that Venezuelan business elites' strategy formation processes arise from their position in the social structure of specialized elites and on their actions towards the mixed set of incentives from the uncoordinated oil-state.

Our demonstration rests on an original qualitative dataset that we collected during our fieldworks in Caracas (10 months in total between 2011-2014, 59 interviews). Furthermore, we resort to unusual methods on which we have relied for developing our argument. This set has helped us validate our theoretical framework, from the perspective of the business elites. Strategies of the business elites are routinely either deduced from their outputs¹ or in more qualitative works, not accounted for in a systematic way².

To verify the full extent of our theoretical framework we needed to account for a number of observable implications. These follow the hypotheses presented above (H1-H3). As each of these hypotheses are necessary conditions; we have validated them in the opposite order in which we presented the above: from H3 to H1, then H4. To prove our argument we need to account for four phenomena.

- a) First (H3), we needed to show that there are multiple available paths – or trajectories – for occupying business elites' positions in Venezuela. We achieved this by both a qualitative description of the trajectories of the business elites in our set, and a statistical aggregation of their careers. This process has lead us to conclude that the economic structure is built over the long-term processes that carved these extended trajectories.
- b) Secondly, we needed to prove that business elites are specialized. We tested for this specialization with a double statistical argument. First, we built a space of distances using

¹ BOURDIEU P. et M. DE SAINT MARTIN, « Le patronat », *Actes de la recherche en sciences sociales*, 1978, vol. 20, n° 1, p. 3-82 ; MIZRUCHI M.S., *The Structure of Corporate Political Action*, *op. cit.* ; PIKETTY T., *Les hauts revenus en France au XXème siècle*, Paris, Grasset, 2001 ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

² USEEM M., *Investor capitalism: how money managers are changing the face of corporate America*, New York and London, Basic Books, 1999 ; PINÇON M. et M. PINÇON-CHARLOT, *Sociologie de la bourgeoisie*, Paris, La découverte, 2010.

a Multiple Correspondence Analysis (MCA). Secondly, we performed a hierarchical cluster analysis on this MCA to locate aggregated clusters of agents on that space. This helped to characterize the groups of agents. We were thus able to conclude that poles of specialization segment the structure of the business elite.

- c) Thirdly, we demonstrated that business elites adopt various types of strategies in Venezuela, and that these strategies reflect the incentives of an uncoordinated state with mixed incentives. We demonstrated this point by calculating a space of distances between strategies defined as binary vectors. Subsequently we identified clusters of strategies. We then characterized these strategies by highlighting the most frequent constraints that agents engaging in each cluster of strategies face.
- d) Finally, we needed to prove a relationship of structural equivalence between trajectories, specialization and strategies of the business elites. We demonstrated this last link by locating the aggregated results of the space of trajectories and strategies on the space calculated by the MCA as passive variables. This helped to show that specialization rests on long-term processes and fixes the possible strategies in which business elites engage.

1.5.1. A data set of hard-to-reach economic elites

Our data has helped us circumvent the two major hurdles implied by our research design. The first was related to the possibility of accessing a large-enough sample of business elites to measure a social structure. The second was driven by our research question, which required that we obtained a varied data set. As we contend that the business world is characterized by its relative heterogeneity. By this, we mean that there are several – yet not infinite – ways of accessing elite positions¹. In consequence, we needed seek to garner a varied group of agents on which we could obtain information that we could serialize or systematize.

1.5.1.1. Accessing the business elites: a qualitative approach.

¹ And because of our hypothesis of structural equivalence, this entails that there are multiple yet-not-infinite positions in the business world, and multiple yet-not-infinite successful possible strategies in Venezuela.

Business elites are by definition a hard to reach population¹. This empirical evidence is exaggerated in the Venezuelan fieldwork for one theoretical and one empirical reason. Both these motives “skewed” our data set and guided the spectrum of methodologies we used.

Theoretically, the particularly segmented nature (potentially involving new rich) of the Venezuelan economic structure forced us to clarify our definition of the business elite. Who belongs to the business elite is extremely contentious in Venezuela. As who belongs to the business world – and more importantly who does not – can have major economic consequences. For instance, when the government wanted to import auto-parts in 2015 it attributed dollars to the companies affiliated with the chamber of auto-parts. However, up to that point, belonging to Fedecamaras’ affiliated associations could be detrimental for obtaining subsidized dollars. The definition of what constitute a “good businessmen” is therefore at the center of the economic struggles in Venezuela. We solved this problem with an a priori definition of elites, which is based on studies of the French business sector² and on methodological recommendation by American scholars³. We adopted a positional definition of the business elites. We defined them as agents with institutional positions in the business world (in either, state owned enterprises, corporations, family companies or business associations) that endow them with the possibility of using the collective resources of the organization that they lead.

This definition has been useful for three motives. First, it leads us to focus on the professional business elites and to exclude corrupt intermediaries. Furthermore, this definition frames elites by both their position and the resources that they muster. Finally, within this delimitation, “smaller”

¹ PINÇON M. et M. PINÇON-CHARLOT, « Pratiques d’enquête dans l’aristocratie et la grande bourgeoisie: distance sociale et conditions spécifiques de l’entretien semi-directif », *Genèses*, 1991, vol. 3, n° 1, p. 120-133 ; CHAMBOREDON H., F. PAVIS, M. SURDEZ, et L. WILLEMEZ, « S’imposer aux imposants. A propos de quelques obstacles rencontrés par des sociologues débutants dans la pratique et l’usage de l’entretien », *Genèses*, 1994, vol. 16, n° 1, p. 114-132 ; HERTZ R. et J.B. IMBER (dir.), *Studying Elites Using Qualitative Methods*, Thousand Oaks, CA, SAGE Publications, 1995 ; COHEN S. (dir.), *L’art d’interviewer les dirigeants*, Paris, Presses universitaires de France, 1999 ; LAURENS S., « “Pourquoi” et “comment” poser les questions qui fâchent? », *Genèses*, 2007, n° 4, p. 112-127 ; SCHNEIDER C.J. et L.L.M. AGUIAR (dir.), *Researching Amongst Elites: Challenges and Opportunities in Studying Up*, Farnham, Ashgate Publishing, Ltd., 2012.

² DUDOUET F.-X. et H. JOLY, « Les dirigeants français du cac 40 », *op. cit.* ; DENORD F., P. LAGNEAU-YMONET, et S. THINE, « Le champ du pouvoir en France », *op. cit.* ; DENORD F., J. HJELLBREKKE, O. KORSNES, F. LEBARON, et B. LE ROUX, « Social capital in the field of power: the case of Norway », *The sociological review*, 2011, vol. 59, n° 1, p. 86-108 ; FRANÇOIS P. et C. LEMERCIER, « Des financiarisations en contrepoint: Finances et financiers dans les conseils d’administration du SBF 120 (1956-2009) », Université de Nanterre, 2014.

³ KHAN S.R., « The Sociology of Elites », *Annual Review of Sociology*, 2012, vol. 38, n° 1, p. 361-377 ; SCHNEIDER C.J. et L.L.M. AGUIAR (dir.), *Researching Amongst Elites*, *op. cit.*

businessmen are extremely informative as they serve as points of comparison with the moguls. This definition is heuristic in our effort of catching a diverse data set.

However, this definition faced us with an empirical problem. High levels of daily violence and the risk of kidnappings pushed business elites to being extremely secretive about their personal lives. Consequently, there is not a *who's who*, from which to generate a list of possible candidates to contact, or a universe of reference. Even more, social pages in the newspapers are largely abandoned. Only extremely well connected journalists are still invited to parties and asked to write pieces for expensive magazines.

We circumvented this hurdle by entering the business world both through its professional reunions that are made public – yearly gatherings, product launches, social events and the like –, and with some personal contacts. Thusly we obtained a first data set of agents in positions of power and later amplified it by the recommendations of those we had already interviewed. This enabled us to build a series of entries that we expanded to obtain a snowball sample¹. It helped us to obtain a varied data set of economic elites and to expand the scope of our family and personal network.

This last assertion calls for few lines on our social position inside this world of business elites. We come from a family that belongs to what we could refer to as the intellectual Venezuelan elite (both our parents have PhDs, for instance). Both our parents have strong links with public universities. Our father has succeeded in occupying more administrative positions in the university system, and our mother more academic recognition. Because of their position – and some degree of serendipity – we were able to attend the socially selective French school in Caracas. There we found ourselves wealthy in cultural capital, facing a world rich in economic capital, to use Bourdieu's terminology. This is how we knew such a world existed. However, because of our family's involvement with the public universities, our personal contacts connected us with major executives in Venezuelan or multinational corporations, and major public regulators or fund managers². Consequently, this snowballing approach allowed us to “escape” this social locus and expand the world of agents we

¹ ATKINSON R. et J. FLINT, « Accessing Hidden and Hard-to-Reach Populations: Snowball Research Strategies », *Social Research Update*, 2011, n° 33.

² For an informed lecture of why a proximity with public universities lead us to these agents, see chapter 4 on the continual screening of the business elites. There we argue that two types of agents go to public universities, agents with low-status high school studies, and agents with high-status high school studies. These agents in our data set, worked respectively for the state and for large corporations.

could interview. Nonetheless, this was not a statistically representative set. That is, we could not compare our sample to any universe of reference, to account for biases.

1.5.1.2. *Selecting a heterogeneous group of agents.*

We succeeded in selecting a varied set of agents. We relied on empirical literature on business elites to select as diverse as data set as possible. We first multiplied our entry points (Board of directors of a private university, annual meetings of business associations, annual meetings of leaders' conference outside the capital, Caracas, international business associations and personal letters). Secondly, we selected companies with different sizes (in terms of number of employees and in number of active stockholders). As has been clearly shown for data from the United States, the larger amount of smaller companies in a data set there is, the more varied it will be¹. A similar argument is raised by Joly for a French case study². Finally, based on the empirical works by Venezuelan scholars, we multiplied the "sectors" these business elites represented³.

We also tried, although not systematically, to vary the characteristics of our interviewees; with regards to gender we were able to interview only 4 females out of 59 agents. We also varied the geographic location of our interviewee's office and political affiliation. Table 1.1 shows the list of the interviews we conducted during our masters and doctoral fieldwork. This list is representative of a varied data set.

¹ USEEM M., « Corporations and the corporate elite », *Annual review of sociology*, 1980, p. 41-77 ; USEEM M., *The Inner Circle*, *op. cit.*

² JOLY H., « Les études sur le recrutement du patronat: une tentative de bilan critique », *Sociétés contemporaines*, 2007, n° 4, p. 133-154.

³ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

	#	Code	Date	Position
Master's	1	Chinoto	06/17/11	Political coordinator
	2	Fidel	07/11/11	Regulator financial sector
	3	Archimboldi	07/21/11	President of Business Association
	4	Zapata1	08/06/11	Economic Journalist
	5	Aquiles1	08/17/11	Intermediary between the state and Foreign companies
	6	Zapata2	08/20/11	Economic Journalist
	7	Aquiles2	08/21/11	Intermediary between the state and Foreign companies
	8	Nazareno1	10/02/11	CEO Mobile Company
	9	Nazareno2	10/09/11	CEO Mobile Company
	10	Scuzzi	01/18/12	Business Association secretary
	11	Fado	01/24/12	CEO Small Chemical company
	12	Rolo	01/25/12	Editor in fashion magazine
	13	Pythagore	01/27/12	CEO defense contractor
	14	Ubicate	02/03/12	CEO Pharmacy chain
	15	Chas	02/04/12	Landowner
	16	Torrico1	02/10/12	Banking executive
	17	Gaga1	02/15/12	Regulator financial sector
	18	Gaga2	02/16/12	Regulator financial sector
	19	Pocahontas	02/16/12	Executive in industrial company/Board of a banking company
PhD	20	Rah	01/25/14	Entrepreneur in the dollar's black market
	21	Per	01/28/14	Executive director in Business Association
	22	Col	02/03/14	Vice-President in Banking Sector
	23	Per	02/12/14	President of Chavista Business Association
	24	Teo	02/19/14	President of Newspaper
	25	Ces	03/25/14	Consultant for the oil sector
	26	Cia	03/29/14	Former-CEO of national Oil Company
	27	Mal	03/31/14	Former President of shipping company
	28	Roi	03/31/14	President business Association
	29	Tor	04/01/14	Banking executive
	30	Cla	04/08/14	CEO company beauty products
	31	Gie	04/08/14	CEO of car batteries company
	32	Lar	04/10/14	Executive in agro-industrial company
	33	Men	04/10/14	Former CEO industrial group
	34	Pol	04/11/14	President Car parts company
	35	Pul	04/11/14	Medium executive in the insurance sector
	36	Ver	04/14/14	President of Public Fund
	37	Dao	04/15/14	CEO Banking company
	38	Ber	04/16/14	Former Banking CEO
	39	Her	04/22/14	Representative in oil Chamber
	40	Lel	04/23/14	CEO catering company
	41	Da	04/24/14	CEO Supermarket chain
	42	Saa	04/28/14	CEO tubes company/President local chamber of commerce
	43	Hel	05/06/14	CEO photography company
	44	Bad	05/07/14	CEO Multinational Agro-Business
	45	Pla	05/07/14	Former CEO agro-industrial group
	46	Ull	05/13/14	CEO Energy Multinational
	47	Lea	05/16/14	Vice-President Oil Company
	48	Men	05/21/14	President Bulding Company
	49	Urd	05/22/14	Medium Manager energy Multinational
	50	Cos	05/26/14	CEO Multinational Agro-Business
	51	Por	05/27/14	President of foreing business associations
	52	Vol	05/27/14	CEO tranding group
	53	Sos	05/28/14	CEO building company
	54	Urb	05/28/14	President of State contractor's company
	55	Pin	06/04/14	Medium level ministry employee
	56	Vel	06/04/14	Ex-Vice Minister
	57	Blo	06/10/14	CEO of domestic merchandise retail store
	58	Vic	06/25/14	Vice-President Oil Company
	59	Dip	06/26/14	CEO Multinational Technology Business

Table 1.2 Interviews for PhD ordered by date and interviewee's position

However, because of our positional definition of the elites we needed to segment this list into three subgroups for subsequent analysis. First, a group of 39 agents that had directly occupied positions of power. The other group of 20 agents either were middle level executives on the rise, economic journalists, or well informed consultants; or agents on which we did not have full biographical information. The last group of 22 agents flocked the interviews with more information on the strategy of business elites¹. The latter draws from agents in the first and second groups.

Therefore, through this snowball sampling we obtained a varied data set that is unrepresentative of an unknown universe of reference. Variation was crucial for proving our theoretical framework; however, it created a series of empirical problems that influenced the methods we use in our dissertation.

1.5.2. Proving our argument: structural equivalence among geometrical spaces of distances

By building a data set that helped us to demonstrate our argument, we unexpectedly created two main methodological obstacles we will now address. The first hurdle is that our data set is not statistically representative. We never intended it to be. This however, left us with a dataset for which we could not estimate over or underrepresented groups. The second problem is one of endogeneity² between the variables³.

Both these problems can be solved with what we can sum-up as cluster analysis⁴. This type of mathematics, calculates distances between vectors in space. Let us clarify this last sentence for *laymen*. Each agent will be characterized by one vector. And each vector will be constituted by the attributes of that agent. Similar vectors (agents with similar attributes) will be close together and dissimilar one will be far from each other. These will, in turn, and will therefore form a space of distances.

¹ We developed a method for accounting for the bias of this ad hoc selection.

² For further precision on this matter, see chapter 2.

³ Endogeneity means that the direction of the causality cannot be established.

⁴ Without any mathematical bases. This is only for clarification motives.

In the presentation of our results, different spaces of distances between vectors have thenceforth represented each of our hypotheses. Each space has been modeled using different methods. We have first outlined with a sequence analysis¹ that there were multiple available paths for business elites (H3). Then using a multiple correspondence analysis² we showed that this economic structure was defined by its high degree of specialization (H2). Finally, we demonstrated that the strategies of the business elites were located at the intersection of the structure of specialization and of the incentives from the uncoordinated state (H1). Each one of these methods has segmented the whole space of distances in differently calculated clusters.

A description of these clusters has helped us in arguing that there are multiple ways of attaining positions of power, that the business world is segmented in poles of specialization, and that strategies reflect state's mixed incentive structure. This we contend has helped us to escape the problem of endogeneity between variables, which is problematic for works relying on regressions. To prove a relationship between these spaces of distances we used a Multiple Correspondence Analysis for locating different clusters on a same space (H4). When they matched, then we had shown the relationship of structural equivalence.

Therefore, these methods for clustering helped us, first, in solving our problem of endogeneity by separating our hypotheses into different spaces of distances. For the same reason, this battery of techniques has proven extremely useful for assessing the biases of our snowball sampling. As similar agents flock together, this method had singled out under selected agents.

Relying on this superposition of methods, we have been able to prove satisfactorily that Venezuelan business elites' strategy formation processes arise from their position in the social structure of specialized elites and on the mix set of incentives from a dual state.

1.5.3. Generalizing from a kaleidoscopic patchwork: External validity of our model.

We think that the theoretical framework developed for understanding the Venezuelan case study can prove to have larger ground for applications. We contend that two conditions are needed for

¹ GABADINHO, ALEXIS, RITSCHARD, GILBERT, MUELLER, NICOLAS SÉVERIN, et STUDER, MATTHIAS, « Analyzing and Visualizing State Sequences in R with TraMineR », *Journal of Statistical Software*, 2011, vol. 40, n° 4, p. 1-37.

² ROUX B.L. et H. ROUANET, *Geometric Data Analysis, op. cit.* ; LE ROUX B. et H. ROUANET, *Multiple Correspondence Analysis, op. cit.*

this framework to work. First, a set of institutional requirements is central. First a dual state is required: one in which agencies responsible for vertical industrial policy (policies affecting companies' cost structure) and horizontal policy are separated. However, this dual state should also be uncoordinated. So for instance in France, although the minister of finance and the minister of industries are usually two different persons, they coordinate efforts, either through regular channels or through the extremely centralized French civil service.

Therefore, on the institutional side a dual uncoordinated state structure is required. This model should not work in a country where every decision would hang on the will of one single person. Furthermore it should not work in a country where civil service provides the means for coordination either formally or informally¹.

Secondly, a specialized business sector is necessary. Specialization is not synonymous with the consolidation that has taken place in the last 30 years in the US. There, large corporations have tended to focus on their core economic activities². Specialization requires that companies have an HR policy, a corporate culture, cash flows, structures of debts and core managerial policies. All are characteristics that constrain them for future decisions. This last group of conditions does not singularize oil state countries, to say the least. We could argue that they are fairly universal.

Therefore, our model could work only if the characteristics of the state were met. Our model works for countries in an advanced state of industrialization in which some sort of industrial policy is nothing but natural (countries relying on capital-intensive extractive industries, would fit this model). However, these states should have pockets of excellence that have resolved the limitations of state actions, or ones in which there is not a streamlined civil service. Most oil countries (except Norway) fit this description, as do countries in the “middle income trap” that should fit this description.

For such countries, our model can help understanding why state actions seem to have such a complex output on the economy. This is so, we argue, because uncoordinated states produce multiple incentives, and therefore several types of vested interests that are not completely subservient to the strategies of other branches of the state.

¹ EVANS P.B., *Embedded Autonomy*, *op. cit.* Gives an example of informal coordination with the Korean example.

² USEEM M., *Investor capitalism*, *op. cit.*

1.5.3.1. *The general validity of a concrete example*

We wish however to insist on the validity of the larger theoretical implications of our description of the Venezuelan case study. Despite our theory-driven presentation, we reached our conclusions from a set of concrete results located in the Venezuelan oil state. The long-term specialization of the business elites led us to reconsider oil-state theories. In so doing, we concluded on the necessity of understanding the Venezuelan oil-state as a dual, uncoordinated structure. This result debates with a branch of the theory of the state that assumes the autonomy of the state. The empirical complexity of the Venezuelan business structure displays a complex state structure, and on the relationship between the state and the underlying economic structure. This socially-rooted state complexity met in its conclusions debates over the nature of the American State, and the reconstruction of European national institutions¹. For Geertz², the observation of a shepherd in Morocco revealed a fundamental key for understanding decolonization. For similar reasons and within our modest means, we contend that understanding the strategies of the business elites in Venezuela informs on the larger theory of the state.

1.5.3.2. *Disproving conflicting Hypotheses*

To be reassured of the validity of our demonstration we included several empirical ways to account for the inadequacies of other theoretical perspectives. As we argued before, there were two explanations for understanding the strategy of the business elites. First, state-incentives-driven explanations. None of these explanations insists on the underlying social structure. To test for the importance of social incentives we were able to link the specialization of the business elites to long-term processes. This questions the oil-state approaches that argue that long-term processes are only guaranteed by the state.

¹ LORRAIN D., « Éditorial: Les institutions de second rang », *Entreprises et histoire*, 2008, vol. 50, n° 1, p. 6 ; KING D. et R.C. LIEBERMAN, « Ironies of State Building », *op. cit.* ; KING D. et P.L. GALES, « Sociologie de l'État en recomposition », *op. cit.* ; GENSBURGER S., « Contributions historiennes au renouveau de la sociologie de l'État Regards croisés franco-américains », *op. cit.*

² GEERTZ C., « Thick description: Toward an interpretive theory of culture », *Readings in the philosophy of social science*, 1994, p. 213-231.

This empirical finding does not invalidate the embedded liberalism approach. It simply insists that states affect ecosystems and not individual companies. However, our use of the MCA has shown that the poles that segment the economic structure act as typical positions, and do not act as fixed barriers. This questions the theorization of the types of capitalism approach¹. In our work, types of enterprises (family owned or multinational companies) are poles ordering a diverse set of business elites. A rigid framework for understanding the specialization of business elites can be detrimental for dynamic understandings of the economic structure. Such approaches are fundamental if we are to concentrate on the strategy formation processes of business elites, and not only on the players in the field.

Secondly, social-structure-incentives-driven explanations are complemented with two empirical results. On the one hand, one of the active variables of the MCA is the strategy that companies have towards the state. If this variable were to be of importance in driving the social space, New Economic Sociology explanations would be left wanting, as the authors that defend them argue that social structures are sufficient for understanding economic outputs.

On the other hand, we will debate with the Bourdieusian school in the last chapter on strategies. The state should stabilize the economic field according to this school of thought. We coded a series of state constraints acting on these companies. If our approach is correct, these should affect different companies in a differential manner, thus proving that the state does not act by generating general rules *i.e.* by affecting the value of structures of capital. It acts by directly intervening in the economy, helping legitimize different stocks of economic capitals; although it does not have the power to name which stock is ultimately dominant.

We hope to have demonstrated that institutionalist arguments lack a theory of the social structures, and that schools concentrating on the social structure lack an understanding of more complex states structures such as those that are prevalent in oil countries.

¹ SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

1.6. Plan Ahead

A particle accelerator, models the elements of particles by exposing them to high levels of energy so that they explode. In a similar way, our work has used the crumbling economic situation in Venezuela to understand how *chavism* in power related to the private sector. The surviving business elites displayed a varied business structure that evidenced a particular public economic strategy. In what follows this dissertation will show how that the uncoordinated, Venezuelan, oil-state interplayed with the complex web of economic interactions we described as a specialized business structure.

Chapter 1, will now present an outline of our dissertation.

Chapter 2 presents the theoretical model summarized previously, adapting it to the Venezuelan case study. We argue that an analysis of the strategies of the economic elites should take into account both incentives by the social structure and the state incentives. We close this chapter with a methodological appendix in which we explicit the coding for the dissertation.

Chapter 3 outlines a qualitative approach to the trajectories of the business elites in oil countries. We contend that the literature has been shy of complex explanations as to who belongs to the Venezuelan economic structure. Most authors argue that either connections to the state, or to the international world explain how an agent can be considered as a leading businessmen of women. These “typical-path approaches”, we contend, are not well equipped for understanding the Venezuelan business world characterized by several paths to reach positions of economic power. In this chapter, we give a qualitative description of these multiple ways.

In Chapter 4, we describe those long-term selection processes, with emphasis on the education and professional selection of the business elites. This chapter rests on a sequence analysis using the TraMineR package on R. We contend that, opposing the typical-path approaches, Venezuelan business elites are selected over more extended periods. We refer to this, as the continual selection of the business elites. We further show that these long-term processes lead to the specialization of the economic agents.

In Chapter 5 we insist on the specialization of the business elites. This chapter relies on a multiple component analysis. We show that they oppose along poles of specialization that interlink, educational, economic and social characteristics. We contend that this structure of opposition cinches the possible strategies of agents located in the vicinities of one of these poles. Finally, we show that specialization fits the trajectories described in chapter 4, therefore demonstrating that the specialization of the business elite is not a consequence of the political conjuncture, but rather that it rests on larger evolutions of the business structure.

In chapter 6, we show that the various types of strategy formation processes of the business elites in Venezuela feed on both incentives from the social structure and from the institutional mixed-incentives. In this chapter, we contend that economic elites benefit from the incentives given by the state relative to their position on the business structure. This shows that the economic structure built by the continual screening of the business elites mediates states' mix-incentives, economic outputs.

We conclude by insisting on the theoretical implications of our work and the methodological tools available for new empirical endeavors. Theoretically, this thesis argues that the process of specialization of the business elites generates an economic structure that mediates state incentives. The types of states generating these incentives require dual uncoordinated structures. Theoretically, this model should prove fruitful in a comparative perspective.

Empirically we argue, that using the methodologies developed for our work, we do not require an aprioristic definition of the “types of companies” – rentier, multinationals, family owned SOE's, etc – acting in Latin-American in oil-driven economies.

2. Chapter 2. Applying the Model: institutional incentives, social structure and the business elites' strategy formation process.

“If this country wants to radically transform itself [...] The State has to create an entrepreneurial spirit by leading the way”.

Guzmán Blanco (1867), Venezuela's president with interruptions between 1870 and 1888

The Venezuelan state could not wait passively for the private sector to develop and diversify production. [...] It had to act as a state that stimulates, finances and orients economic activities.

Rómulo Betancourt (1956), president between 1945-48 and 1959-64

“This government manages [the economy]. International investments are increasing, the Guyana [melting] enterprises, gas, oil, gold, mining, tourism. This country is going forward. Only a minority with immense and irrational power is trying to break us.”

Hugo Chávez (aló president, 2002), president between 1999-2013

“Ideas about variations in state involvement have to be built on the historical examination of particular states”.

Peter Evans, Embedded Autonomy, 1995, p.11

2.1. Introduction: Strategy formation processes, economic structure and industrial policies

This chapter will extend the theoretical framework presented in the introduction, charting its empirical implications for the Venezuelan case study. These theoretical remarks precede the presentation of the empirical analysis on which this analysis was founded. This demonstration is only theoretical in that it helps us make sense and generalize the results of the analysis in this dissertation. However, before delving into a clarification of our model we need first to introduce the empirical literature our approach seeks to complement.

2.1.1.A critique of the oil-state theories

Analyzing state structures is an arduous task. States stage complex interactions. Even the more rigorist accounts will thence present distorted views and a multiplicity of national variations. Ours will not escape this limitation. This difficulty is, however avoidable. Some chose to amplify it, nevertheless. Their mistake falls within Bourdieu's – among others – warnings (Bourdieu, 2012). State classificatory powers are consequential. Laws do change behaviors, raise wages, distorts companies' price structures and generate new forms of criminality. Therefore, as much as archeologists working on the Assyrian Empire seldom find more than royal propaganda in their excavations, working on state's outputs require a supplementary effort of objectivity. Authors working on state incentives should pay particular attention not to reproduce a self-referential – celebratory – frame on the role of the state¹.

With this call to objectivity in mind, we find extremely interesting that “rent-seeking” theorizers of the Venezuelan state² channeled the centennial normative views on state-business relations vociferated by Guzmán Blanco, Rómulo Betancourt and Hugo Chávez, presented above. Namely that of an active state facing a non-diversifying, passive and rent-seeking oligarchy. Furthermore, in a double our nothing argument they took the view of an empty elite and thickened it with a neo-utilitarian critique of the role of the state³. Minimizing the efficiency – let alone the pertinence – of its endeavors. The oil-state theory slimmed State-Business relations in Venezuela to an interaction between a passive rent-seeking oligarchy and an oil burning inefficient yet ever reaching – mistake⁴, weak⁵ – state. Oil was at the center of this ghostlike interaction between agents with no agency⁶.

¹ For the French example, Bourdieu says that high-ranking public officials claim to represent the “national interest”; whereas they fight for their own particular interest in the “bureaucratic field” BOURDIEU P., *Sur l'État*, *op. cit.*. For the American State, as Federal authorities claimed to defend the greater good they did as least as they could to revoke Jim Crow's legislations. KING D. et R.C. LIEBERMAN, « Ironies of State Building », *op. cit.*

² NAÍM M. et R. PIÑANGO, *El caso Venezuela: una ilusión de armonía*, Caracas, Ediciones IESA, 1986 ; KARL T.L., *The Paradox of Plenty*, *op. cit.* ; CORRALES J., *Presidents Without Parties*, *op. cit.*

³ EVANS P.B., *Embedded Autonomy*, *op. cit.*, p. 22-25.

⁴ CORRALES J., *Presidents Without Parties*, *op. cit.*

⁵ KARL T.L., *The Paradox of Plenty*, *op. cit.*

⁶ Rey calls this an elites' consensus oil-driven populism REY J.C., « La democracia venezolana y la crisis del sistema populista de conciliación », *op. cit.*

2.1.2. Social structure and economic strategy

Our model seeks to reintroduce agency in this relationship by describing the strategy formation process of business elites in Venezuela. This will lead us first, to acknowledge the undertakings of the Venezuelan business sector. Secondly to concede alacrity to state maneuvers.

The first proposition relies on recent empirical works on the Venezuelan business sector¹. Their results evidence – *contra* oil-state theories – diversified and hyperactive business elites, striving within state-generated macro-economic difficulties. To put it succinctly we contend that, if the state can affect the business elites, there must be business elites to affect. Furthermore, resting on a perspective drawing on economic sociology, we contend that these business elites form an economic structure that cinches their strategies².

2.1.3. Reasonable state agents

The second perspective rests on empirical works on Latin American's states economic policies. Primarily on the new-institutionalist critique of the neo-utilitarian state, as articulated by – among others – the embedded liberalism literature³. This body of works contends that the agency of state actors determines the relationship between the state and the business elites⁴. Their more up-to-date arguments call to focus on the industrial policies⁵: how state affect companies' cost structures. Therefore, using a simplifying expression, our model focuses on the strategy formation process of business elites in the economic structure benefiting from the oil-state's supply-side⁶ industrial policies⁷. We contend that business elites' strategies are located at the confluence of state's incentives and the hysteresis generated by the social structure these incentives affect.

¹ DIJOHN J., *From Windfall to Curse?*, *op. cit.* ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

² MIZRUCHI M.S., *The Structure of Corporate Political Action*, *op. cit.* ; BOURDIEU P., *The Social Structures of the Economy*, *op. cit.* ; MIZRUCHI M.S., « Political economy and network analysis. An untapped convergence », *op. cit.*

³ EVANS P.B., *Embedded Autonomy*, *op. cit.* ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.*

⁴ SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, *op. cit.*

⁵ KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

⁶ CRAFTS N., « Supply-Side Policy and British Relative Economic Decline », *op. cit.*

⁷ STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

We will first clarify the implications of this model for an uncoordinated dual state. We will then elicit the empirical consequences of our model when analyzing the Venezuelan state. We then will shortly discuss how our model curtails the shortcomings of the empirical literature on oil countries. Finally, we will outline how we will code our interviews to prove our model.

2.2. The general model

This clarification of the model will help us link state incentives to the specialization of the business elites sustaining the economic structure; as both of them play a role in the strategy formation process of business elites. To do so let us first begin by outlining the state-driven side of our model. We will then explore the consequences of this first theoretical step on the social structure.

2.2.1. State incentives

Our demonstration here will mimic a *reductio ad absurdum*. We will outline the shortcomings of oil-state theories to clarify how state policies incentivize the strategies of the economic elites in oil countries. This literature displays two major flaws. First, it shows limited understanding of the business world in oil countries. Secondly, it vehicles a rigid conception of the state. We will clarify our model by elucidating both issues; arguing that the second matter arises from the first.

Allow us first to sum up the state/business relationship accounted by this perspective. According to this view¹, state incentives produce a self-reinforcing mechanism. On the one hand, oil-states finance rent-seeking business elites. On the other, the beneficiaries of rents use their capital to sustain their rentier positions by courting oil-states. This circular process generates “vested interests” and henceforth an undiversified range of possible strategies.

Contrary to this view, several empirical accounts have insisted that oil states do not rest on uniform societies. Relating to our topic, authors have shown the Venezuelan business sector harbors elites with a diverse array of strategies². Beyond our topic, there are also evidences of an heterogeneous “civil society” in Andean countries³, plural ways to access economic brokers in Saudi Arabia⁴ and a dual museum structure in gulf countries⁵. Nonetheless, we will concentrate on economic policies for this demonstration.

¹ CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

² DIJOHN J., *From Windfall to Curse?*, *op. cit.* ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

³ FONTAINE G., *Petropolítica*, *op. cit.*

⁴ HERTOGE S., *Princes, Brokers, and Bureaucrats*, *op. cit.*

⁵ KAZEROUNI A., *Le miroir des cheikhs*, *op. cit.*

To show the shortcomings of this “vested interests” circular explanation, let us first argue within the framework of the oil-state. This will evidence the limitations of their conception of state agency. According to empirical evidence, we know that business elites in oil countries have different and opposing strategies. However, oil state literature argues that oil-states finance “rent-seeking” business elites. Therefore, if these two propositions are correct simultaneously, then the state would finance an economic struggle of equals, of opposing business elites; instead of simply redirecting funds to “dominant” or “well connected” business elites. Within a rigid definition of the state, state agency in those instances is equated with schizophrenia. And to thread the medical metaphor, these complex states are labeled in consequence: failed states, or sick states.

We contend that another theoretical solution is possible. It requires shifting theoretical schools. The embedded liberalism literature argues that the strategies of the business elites (or the economic groups) rests on the agency of the public officials¹. This neo-institutional view, contends that institutions provide tools to the public officials. The way in which public officials use these tools is contingent on history and the level of resources at their disposal.

We push this perspective further and posit that oil countries have uncoordinated states. In countries seeking to develop their industrial power – of which oil-countries are a paradigmatic example –, the intervention of the state in the economy is not systematically equated with agencies for coordinating public policy. It is safe to argue that it is seldom the case. Therefore, industrial policy – and the agencies responsible for it – are usually uncoordinated. The notion of “pockets of efficiency”² referring to a space within the bureaucracy known for its productivity, is an instance of a structure with various economic agencies forming an uncoordinated state. As we can easily argue, that the *efficient* branches of the state structure have scant contact with its *inefficient* branches.

Arguing within this new-institutionalist framework, agents occupying a diverse array of sub-structures of the state (ministries and SOE’s for instance) have the resources and the historical legacy to generate a range of incentives towards the business elites. In oil-countries, where the

¹ EVANS P.B., *Embedded Autonomy*, *op. cit.* for a similar view on the importance of public agents see SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, *op. cit.*

² EVANS P., « State structures, government-business relations, and economic transformation », *op. cit.* ; HERTOG S., *Princes, Brokers, and Bureaucrats*, *op. cit.* ; STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*, p. 72.

industrial oil-sector usually generates states within the state¹, economic ministers manage different spans of the economy with various effects. Thus creating an uncoordinated state structure of mix-incentives.

The idea of an un-unified state structure is not foreign to industrialized nations either. French authors argue that a centralized and streamlined state is not a necessity. Even an author as Bourdieu (defender of the “centrality” of the state²), argues that the process of centralization of the state took centuries³. Therefore, an un-centralized state would not be unimaginable within his theoretical framework. Other authors argue that this centralized state has eroded under new public management reforms⁴. On the other side, American state’s theorists recognize that the state was not as much a unifying force as it was for the European state⁵. Therefore, the notion of an uncoordinated state producing a wide range of effects is not one that characterizes a particularly dysfunctional state apparatus.

To sum up, we countered oil-state theories by positing that they could not account for the variety of strategies in which business elites engaged in oil countries. Furthermore, we contend that provided an uncoordinated state structure, a new-institutionalist framework can perfectly account for a state generating multiple incentives for the business elites.

Figure 2.1 gives a graphic representation of the general model. Its interpretation requires some clarification. In the figure, blue arrows represent an effect described by specifications in italic. Reading the figure, the state incentivizes economic strategies by affecting their cost structure (*i.e.* through industrial policy)⁶. The *i* characterizes variety and structural equivalence. For instance, for the state-driven part of our model, several sub structures of the state (E_i), incentivize a range of attached strategies (S_i). In return, business can try to lobby the state to maintain these incentives. However, these *i* force us to adopt a structural position. Even extremely fragmented states concentrate the economic power. And although the social structure side of our argument could lead

¹ BOUÉ J.C., *Venezuela, op. cit.* HERTOG S., *Princes, Brokers, and Bureaucrats, op. cit.*

² BOURDIEU P., *Sur l’État, op. cit.* Bourdieu’s position is more complex on this matter. He argues that the state has a sort of autonomy from the rest of the society, which centralized in the bureaucratic field, the power for nomination (the symbolical capital).

³ BOURDIEU P., « Esprits d’Etat [Genèse et structure du champ bureaucratique] », *op. cit.* ; BOURDIEU P., « De la maison du roi à la raison d’État », *op. cit.* ; BOURDIEU P., *Sur l’État, op. cit.*

⁴ KING D. et P.L. GALES, « Sociologie de l’État en recomposition », *op. cit.*

⁵ SKOCPOL T., « Bringing the State Back In : Strategies of Analysis in Current Research », *op. cit.* ; KING D. et R.C. LIEBERMAN, « Ironies of State Building », *op. cit.*

⁶ The state affects the overall demand in an economy as well. But we will explain this latter.

us to argue that there are as many strategies as there are business elites, the state side of the argument limits the array of possibilities. Our argument does not concentrate on individual companies but on aggregated groups. This shift is important as it limits the explanatory power of approaches that are too focused on the personal relation between companies and the state.

This figure also depicts the hypothesis presented in the introduction (H1-H4)¹. Finally, the large blue arrows depict the way through which the economic structure incentivizes the strategy formation process of the business elites. We equated this process with hysteresis². However, this last point requires some clarification. To do so, we will now present the social-structure-driven side of our model by describing this process of hysteresis.

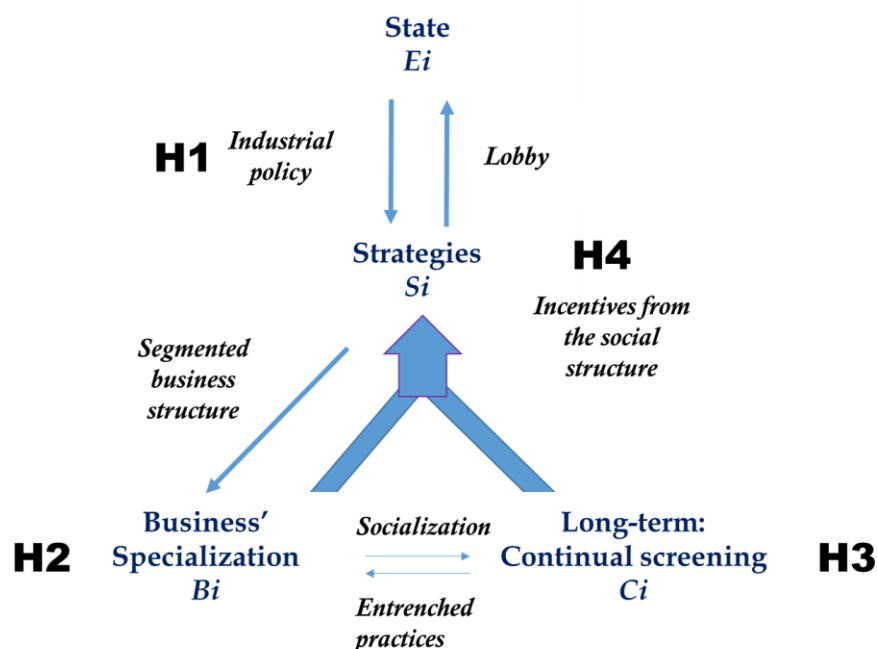


Figure 2.1 General Model: State and social structure incentives on strategy formation processes in uncoordinated states

2.2.2. Incentives by the social structure

¹ H1: An uncoordinated state structure generating mix-incentives

H2: Specialization of the business elites in the economic structure

H3: A long term process of selection

H4= H1+(H2+H3): strategy formation processes are at the confluence of state incentives mediated by the economic structure acting with an effect of hysteresis.

² Hysteresis is a concept describing a system that return to its natural state after a lag. In this case hysteresis is synonymous with inertia..

The second – social-structure-driven – side of our argument, posits that the range of state-driven¹ strategies coalesce into a process of specialization within the economic structure. Subsequently, this process can crystalize in a long-term process of selection through a specific practice in the economic realm. The difference between specialization and long-term selection is one between resources and experience. Let us specify both points. Before however, we must clarify a complication that raises when we introduce long-term processes in our model.

The two branches of our argument enter into an “egg or the chicken” difficulty. Two perspectives are available to us regarding the temporal causality of our model. Some would argue, that the social structure adapts to state incentives, others that the state incentives react to the social structure. This problem is essentially political and it does not harm the value of our model. We contend that the social structure mediates states incentives. This proposition is valid for any of these scenarios. The problem is one of measurement and not of theory.

This conundrum can be clarified if applied to the Venezuelan case under Hugo Chávez. Knowing if Chávez was on the offensive against a segment of the business elites, because the business elites were rent-seeking moguls displeased with losing their share of the oil cake; or if the business elites reacted to Chávez because he was on the offensive, is ancillary. It must be noted that none of the aforementioned truly depicts the state/business relationship under Hugo Chávez. Our model could fit both ends of this polarizing political explanation. In both, the social structure mediates the state incentives. And thus does not harm our argument. Historically, however, it is safe to argue the social structure preceded the strengthening of the central state². For instance, the mercantile class that helped build the banking system in Venezuela preceded the *bankless* central state³.

Despite this apparent relative equivalence between factors in our model, the social structure is not superfluous. Paraphrasing Evans, when states participate in the economy they create an effect of inertia⁴. To take a historical Venezuelan example, once the state successfully launched the exploration of its oil reserves, it could not realistically handle the economic structure as it did in the *statu quo ante*.

¹ Strategies are not necessarily driven by the state. We will link both sides of our model (state and social structure) for clarity's motives.

² BANKO C., *El capital comercial en La Guaira y Caracas (1821-1848)*, *op. cit.* ; GONZÁLEZ DELUCA M.E., « Los comerciantes de Caracas », *Caracas, Cámara de Comercio de Caracas*, 1994.

³ VALLENILLA N.H., *Formacion y crisis de un sistema financiero nacional: Banca y estado en Venezuela 1830-1940*, *op. cit.* ; BANKO C., *Política, crédito e institutos financieros en Venezuela, 1830-1940*, *op. cit.*

⁴ EVANS P.B., *Embedded Autonomy*, *op. cit.*

However, some authors argue that only state incentives are important for explaining the strategy formation processes of the business elites in oil States. In an article revisiting her intransigent view on the oil curse, Terry Lynn Karl posited that the curse would be broken if state policies were more transparent and productivity-oriented¹. This welcomed revision failed to mention the economic structure these transparent and productive policies would impact. This was not because she lacked information. This is simply a blind spot in her theoretical apparatus. One that neglects public economic intervention transforms the economic structure. And that subsequent interventions act on the previously transformed business world.

In line with this critique, our model predicts that state incentives affect a segmented and specialized business structure. We further contend that in the long-term specialization entrenches business practices through a process of “socialization”. Let us clarify this assertion with a metaphor². Specialization entails resources. Let us for instance consider a medieval archer. Specialization would be synonymous with an archer having a bow and arrows. The economic structure – to thread this metaphor –, is the battlefield. In it this archer with bows and arrows, fought next to – or against – a knight with a sword and armor, and infantry with pikes. The experience would stem from the archer – or the knight, or the foot soldier – proving his or her valor in various wars. This particular experience would then fix him or her with a weapon but also with a particular way of using that or those weapons.

We contend that the social structure feeds on this double process of acquisition of resources and of a particular experience in how to use them. This experience-driven acquisition of resources (through both education and professional selection) acts on the strategy formation process of the business elites with hysteresis. This means that in light of their previous experience, business elites will orient their strategies according to their resources (their contacts, their companies, their education, etc.). Reasoning in structural terms, the agents within the economic structure will orient their strategies according to their resources, and their understanding of the economic structure in which they are inserted. In interviews, agents referred to this process as “knowing the market”.

Therefore, to close the presentation of this general model, we argue that the strategy formation processes of the business elites in an economic structure follows two incentives. The first generated

¹ KARL T.L., « Ensuring fairness: The Case for a transparent Fiscal Social Contract », *op. cit.*

² For an application of the metaphor see chapter 6.

by public servants leading uncoordinated ministries with a set of resources for enacting different industrial policies. The second, by a process of specialization that entrenches business practices through a particular experience of the economic structure. This process is equated with hysteresis. We will now apply this general model to the particular case of Venezuela under Hugo Chávez and Nicolás Maduro, using examples from their governments. However, one has to bear in mind that this is still a theoretical presentation that has no sense without the corresponding empirical chapters.

2.3. An empirical application to the Venezuelan case study.

The second part of this theoretical chapter will seek to apply the general model to the Venezuelan example by clarifying its implications. To do so, we will divide the state driven-side and the social-structure-driven side of our argument. This in turn will evidence two ideal-types of strategies. These types will oppose two varieties of ministries and two types of specialized business elites.

2.3.1. Building analytical artifacts: The state and the social structure

2.3.1.1. Active, vertical and passive, horizontal industrial policies

Allow us first to tackle the state-driven side of the model. As we argued, states incentivize the strategy formation process of the business elites by affecting their cost structure; *i.e.* through industrial policy. The literature¹ mentions two types of industrial policies. First, vertical and active industrial policy; secondly passive and horizontal policies. The former are directed to benefit either one company or one sector. The latter “set the playing field” by fixing the general guidelines that apply to the economy as a whole.

For this application, vertical policies and horizontal policies represent respectively, particularistic and universal economic policies. An instance of particularistic policies are state contracts; one of

¹ STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

universal regulations are the rate fixed by the central bank¹. For historical reasons we will refer to the ministries that enact particularistic policies as belonging to the *fomento* state, and those enacting universal policies as belonging to the financial state. It should be noted that this reasoning is schematic. The nature of the Venezuelan economic world is, on the contrary, baroque. However, before clarifying the intricacies of this model, let us first present the second branch of this argument.

2.3.1.2. Selling to the state, selling to the market.

The social-structure-driven side of our application opposes two sub-sets of economic agents. On the one hand those that “sell to the state”, on the other, those that “sell to the markets”. This distinction is as fundamental as it is blurry. Therefore, allow us for some specification. At one end, companies selling to the state, knit together oil groups, infrastructure builders, some insurance companies and smaller importers. At the other end of the spectrum, companies selling to the markets flock, supermarket owners, malls administrators and barber salons. The first end of the spectrum receives funds directly from the state, the second through indirect ways². A particular company is closer to one pole depending on its core activity. Therefore, it could be theoretically possible to receive both direct contracts and “selling to clients”.

2.3.1.3. Interstitial positions: the ministers under Hugo Chávez and the shady businessmen

In this framework, interstitial positions are central. We contend that these outer bounds constitute poles that incentivize types of strategies. These probabilistic poles are far from deterministic. And ministries between the developmental state and the financial state artifacts have important intermediary positions. Our general model anticipated plurality and structural equivalence; not a dual structure of opposition. These extreme theoretical poles convey a more complex reality.

It's possible to clarify this last assertion with an instance from the Chávez government. The three economic strongmen during the last part of the Hugo Chávez government (2008-2013) were Jorge

¹ Although one could argue that, a renegotiation of contracts in the oil sector is universal and that monetary policies are subventions to banks. Our categories are analytical in nature, and help us to clarify the observable data.

² However, some businesses do not necessarily belong to one or the other category. Some companies might do both. For instance technology companies could sell computer security system to the state or to private companies.

Giordani, Nelson Merentes and Rafael Ramírez¹. They were respectively, Minister of Finance, President of the Central Bank and President of the national oil state PDVSA (Petróleos de Venezuela, SA). The function of every one of these men will help us clarify the polar opposition in our adapted model.

Ramírez would be located at one end of the developmental state. Through his strong grip over PDVSA, he signed oil contracts in the country with local and foreign groups. Furthermore, as Chávez expanded the prerogatives of the oil company he oversaw PDVAL (PDVSA for food – PDVSA Alimentación). This company was responsible for importing large quantities of subsidized food. Therefore, PDVSA's core function was channeling funds to companies that signed contracts with it. At the other end of the spectrum, Merentes and the Central Bank (BCV – Banco Central de Venezuela) fixed real negative rates and multiplied the level of liquidity in the economy, thus rising the inflation rates. However, inflation rates hit sectors “*universally*”. Merentes' actions alone could not affect the cost structure of Alimentos Polar, Cargill, Kraft or Nestlé (the main private companies in the food industry). The core of his decisions had broad consequences. Finally, between these two poles, Jorge Girodani ruled over a ministry with a varying scope of responsibilities. Despite variations in time, the role of the finance minister under Chávez was twofold. First, he oversaw the major public funds². And used them to boost the economy. On the other hand, the minister was charged with a fiscal and financial regulation of the economy. He achieved this through supervisory committees (*the super-intendencias*). The most important were the tax and ports (SENIAT), banking (SUDEBAN) and consumer protection committees (SUNDEE).

In his role as financial supervisor, the minister of finance was also in charge of the exchange control established by the government in 2003. Therefore, the finance minister fixed the rules for attributing dollars in the country. The wrongdoings of this system should not make us miss the fact that it was not intended to benefit one company specifically. Although it was thought to act as a political control on undeserving business elites. This intent for control gave a leeway for

¹ Next to these men, some chavista's trustees garnered economic power. The family of the president of the assembly of the time (Diosdado Cabello) had positions in the extremely important tax structure and the ministry of Industry (Minister José David Cabello Rondón). The General Osorio and Elias Jaau, shared power in the agricultural world, Haiman el Troudi was the minister responsible for building the subways, etc...

² GIORDANI J., *Testimonio y responsabilidad ante la historia*, <http://www.aporrea.org/ideologia/a190011.html>. In his letter of resignation, Giordani insisted on the importance of his oversight of the major funds of the state: in Spanish: FONDEN, Fondo Chino, Tesorería, Banco Exterior, Banco Industrial de Venezuela. Funds are fundamental for understanding the Venezuelan economic policy MEDRANO CAVIEDES C., *Analyzing fiscal implementation gaps in Venezuela*, *op. cit.*

particularistic use of the system. Once an exchange control was imposed, a black market ensued. The gap between the legal and the black market rate meant that companies could have immense returns on investment by corrupting state officials. Buying dollars at a 4Bs/\$ and selling them at 10Bs/\$ or 1000Bs/\$¹, could multiply revenues between two and a two hundred times. Its effects however, had structural and over-reaching consequences.

Consequently, the ministry of finance acted as an intermediary structure enacting vertical and horizontal industrial policies. However, despite this intermediary ministry, it is possible to contend the Venezuelan state under Hugo Chávez generated two types of incentives on the business elites. A close look at the ministry of finance shows that these mix-incentives come from different organized structures within the sub-level of government: funds on the one hand and supervisory committees on the other.

Furthermore, these structures are uncoordinated². An example of the latter can be found in the policy of exchange control. In 2009, the black market was forbidden. This shortage in the supply of foreign currency in the country pushed the black market rate up. To bring it down, the government created the SITME in 2010 (Sistema de transacción de títulos en moneda extranjera – system for selling bonds in foreign denominated currency). The STME was under the responsibility of the BCV³. The system allowed companies to buy Venezuelan debt in foreign denominated currency at a higher rate than the fix legal one.

Therefore, between 2010 and 2013, Cadivi and the BCV attributed dollars without coordination. Thus creating a system with three exchange rates: legal, SITME and black market. Furthermore, PDVSA was still able to write contracts on its own in hard currency. More interestingly, when the shortage of dollars became more stringent, the government transformed the SITME in the SICAD system. This system was separated into two different markets for selling dollars. SICAD 1 was an auction to the best bidder (the best rate however was not the highest, but the one closest to an arbitrary number dictated by the government); and SICAD 2 was a selective devaluation for the oil industry. Sicad 1 oscillated between 10-15 Bs/\$ and Sicad 2 at between 50-200 Bs/\$ between 2013 and 2016.

¹ Respectively, rates in 2009 and 2015

² Uncoordination cannot be understood in absolute terms. Merentes and Giordani took regular meetings. Institutionally the reform of the banking system, created an instance for coordinating the public financial policy. This organ never reached importance. The actions of these ministers could take radically different paths.

³ Cadivi was under the umbrella of the ministry of finance.

This empirical example shows that there are structures within the state enacting divergent economic policies simultaneously in a less than coordinated way. These artificial poles set the bounds of the model. However, these boundaries define the limits in a range of complex state decisions and crossed-incentives.

2.3.2. Economic strategies in Socialist Venezuela

Using the classificatory artifacts presented above (two poles of the state and two poles of businessmen), we will now outline the predictable empirical observations of our general model. To do so we will describe the figure 2.2. It replicates figure 2.1 adding the empirical poles. Two typical strategies arise from this model. Both are contingent on the “client” that mostly contributes to their revenues. The first strategy represents agents that sell to the market, the second, agents that sell to the state. For clarity purposes we will present the two poles of strategies beginning with state incentives. However, as we saw, none of these effects is preeminent.

2.3.2.1. Serving public clients in the developmental state.

The first type of strategy – signing contracts with the state – represents the business elites incentivized by the developmental state. The state incentivizes their strategies through the particularistic attributions of state resources. In return, these companies lobby the state to maintain their direct access to business officials. These contractors, or state-affiliates, can specialize in one of two segments. On the one hand, they sell technology driven contracts – usually with higher margins. These range from the construction of complex infrastructure projects (bridges, subways), to selling security services and oil exploration techniques. On the other hand, however, a series of companies can occupy niches in the state-driven economy: they “fill the gaps”.

Agents working in large technologically driven project work for corporations. This is so, because these projects require considerable funds and the ownership of the technology sold to the state. However, it is completely possible that intermediaries should negotiate large technological contracts. This tends not to be the norm. Whenever this has happened, corruption scandals have ensued. On the other hand, agents “filling the gaps” fit the description of the rent-seeking capitalists described in the literature. These agents are experts at “milking the state”. And seldom generate investments-prone companies.

However, figure 2.2 also hints that pure rent seeking is not a very stable strategy. Agents that do access the state by “filling the gaps” link the expansion of their business to the perpetuation of the gap that made them rich. Whenever this opening fades, they risk losing their whole business structure. Furthermore, the way in which businessmen access the state plays a self-reinforcing effect. Additionally, the types of contacts needed for small endeavors are of a different nature than those required for major contracts. Consequently, agents that penetrated state structures through low-level connections, should difficultly move into larger contracts or technology-driven contracts. This in return puts them in a fragile position.

To conclude, agents selling to the state trade their social capital – their personal connections – for economic revenues. Agents in this state market do not rely to the same extent on state’s priorities. Agents selling specialized technology enjoy larger margins of freedom. If the stream of contracts slow, they can expand to other countries or find private sources of revenue in Venezuela; waiting for better times to come. On the other side, agents who entered through small cracks in the state façade rely heavily on a web of low-level public workers. Their position is inherently fragile.

Finally, as figure 2.2 shows (see the thin arrow), agents with strategies oriented towards selling to the state can shift to new endeavors. However, as we will now show, this transformation is not easy. Funds raised by dealing with the state are not easily transferable to other endeavors. And not for legal reasons, but for social ones.

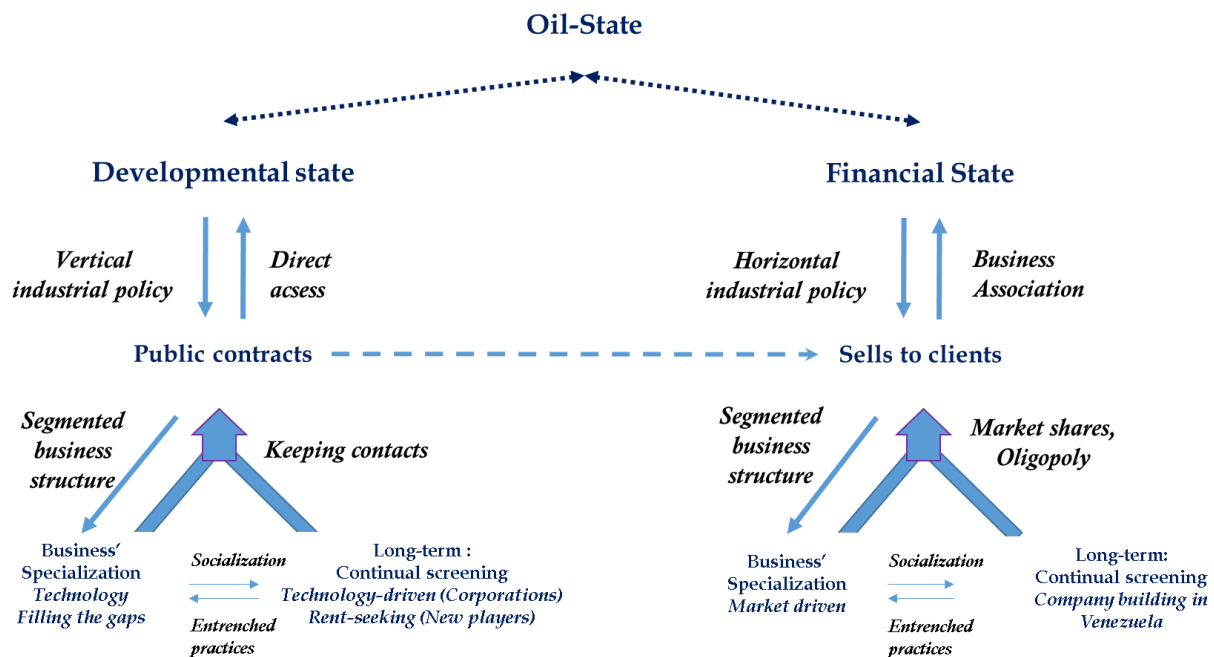


Figure 2.2 Application of the general model to the Venezuelan case.

2.3.2.2. Selling to the market against the financial state

We will now tailor the model for describing the incentives driving the strategies of agents selling to the market. To differentiate this theoretical construct from the one presented above, we will first present a historical anecdote that symbolizes the difficulty of transferring funds from the state-market to the more *benign* Venezuelan private sector. All of the companies embodied by their owners were state-financed enterprises during the 20th century.

In 1992, Pedro Tinoco, then president of the Central Bank, called for a meeting between the president of the Banco Consolidado Álvarez Sterling, the president of the Banco Latino Cisneros and the president of the Grupo Empresas latino Americanas (Banco Progreso) Orlando Castro. Alvarez Sterling belonged to the banking establishment. Cisneros was the son of a Cuban nouveau-riche who made his fortune in Venezuela in the 1950's. Orlando Castro had made his fortune through an insurance company and his dealings with speculative operations. Orlando Castro and Alvarez Sterling had been bidding to buy the Banco de Venezuela from its original centennial owners. However, the "Caracas oligarchy" was not ready to accept Castro as the head of one of the

most respected banks in the country. The bank owners had vetoed his presence at the head of the institution. Pedro Tinoco, was calling a meeting to settle a truth that would end the takeover against the Banco de Venezuela. Cisneros and Tinoco explained to Orlando Castro, that he could sell his stocks to José Alvarez Sterling, and enjoy his fortune. However, we could not chieftain a major bank. Ironically, Castro was in the position occupied by Cisneros a few decades earlier and by Tinoco decades before. As the son of a politically connected nouveau riche, Pedro Tinoco Jr, the connected business lawyer, anointed the Cisneros family; his father had been minister of Finance under Gómez in the 1930's; the Phelps family had introduced Tinoco senior to the Caracas commercial sector¹, etc. However, when Tinoco Jr. tried to direct the Banco Mercantil and Agrícola, the then powerful Vollmer family barred him from entering the sacred banking system². In that meeting in 1992, two rejects – that finally made it to the top of the financial world with the help of the state – were stopping a new rich from trying to get his way; just as they had been blocked in the past. This process of systematic rejection by incumbent groups throughout the 20th century might be coincidental. However, we contend it answers to a deeper structural logic that we will now clarify.

Groups that sell to the markets react more easily to horizontal industrial policy. Because they are bound by the overall demand in the country. Which in turn is affected by the inflation rate, the devaluation, the overall liquidity in the economy, etc. Over which oil influxes play an important role³. Although one company can benefit from subsidies, it still has to sell its products to the internal market. Therefore, for companies that sell to the market, the cost that affects them are likely to affect the rest of the companies in either that sector or that branch. Therefore, trying to access the state for particularistic motives when selling to the state produces a typical olsonian paradox. Whichever company reaches the state, will benefit its rivals.

The argument that even if the state intervenes in the economy, companies that sell to the market benefit less from direct contacts from the state is not clear from the outset. Allow us to simplify

¹ The anecdote was told to us in an informal conversation in a business event. Tinoco senior and Mr. Phelps opened their businesses early in the morning. This mutual punctuality, inspired Mr. Phelps to hire Tinoco senior as his lawyer. When Tinoco asked him why he had chosen him, he replied “someone that wakes up as early as you can be trusted” the anecdote was reproduced in ZAPATA J.C., *Doctor Tinoco, op. cit.*

² *Ibid.*

³ BAPTISTA A., *Teoría económica del capitalismo rentístico, op. cit.*

this logic. Let us imagine the agribusiness sector: if three companies sell milk, the government has one of two options. Either it helps it through cheap credit or it fixes its cost structure. First, it can directly fund the company at a lower rate than that of the market. In this case, it can either perpetually finance one company in the long term (which is unlikely taken the variability of public incomes) or give some sort of short-term help. Therefore, this company will need to refinance its debt at higher, market rates in the future. The other companies, financing their debts at a regular rate will benefit from this increased strain on the first company's resources. Therefore, this first possibility opens market shares for incumbents in the medium term, when state finances will realistically shrink. And once this market shares are taken, the other company will be put in a delicate position. Secondly, the state can fix the cost of the milk. However, in this scenario, the incumbents grab massive market shares as well. Because, the price of the product will be fixed at the production cost of the most inefficient company – which is usually being helped by the government. Therefore, all the incumbents will have considerable returns, just by competing against a protected company. There is a third possibility, which is economic ecocide: the government all together destroys an industry. This however, limits the availability of former existent products, and is politically costly¹.

By selling to the markets, this sector is hit by horizontal incentives (positive or negative). And the way to address these incentives is relatively universal: for instance “bottlenecks” rarely affect one company, they affect industries. Therefore, this group of companies have a greater stimulus for coordinating in business associations. Particularly, more so under active governments in the economic policy-realm. This group of companies selling to the market and fighting for market shares tends to have long-term strategies in the Venezuelan market. These types of companies can be either multinational companies or local groups.

An appendix is necessary to this financial-driven group of strategies however. Because, niche strategies can coexist next to these larger shares positions. Therefore mimicking the smaller rent-seeking companies answering to the developmental state, smaller and flexible companies sell to the market and answer to the financial state. Nevertheless, because of their positions in niches, they do not enjoy the temporal leeway from which larger companies benefit. However, because their niche positions, the government very rarely intervenes them. To sum up, companies incentivized

¹ For instance in Venezuela, the government attacked harshly the agricultural sector and shrank the national production. This came at an elevated political cost as it contributed to the rise of scarcity.

by the financial state tend to participate more actively in business associations, sell to the market, and focus on reaching and exploiting market shares. These market shares are created by the overall financial policies waved by the state.

2.3.2.3. State capitalism and embedded neoliberalism

Finally, to close this empirical presentation, this model has a political appendix. This addition informs the relative weigh of these incentives according to the ideological position of the governing party. We argue that fixed by this structure – and provided uncoordination –, oil states strategies range from state capitalism¹ to an embedded neoliberalism². State capitalism is a strategy of the state by which it directly participates in the economy through both financing individual companies, an active participation and regulation of national markets: National Oil Company, selling basic goods, importing, fixing prices, etc. Embedded neoliberalism³ is a strategy by which the state helps companies by reducing their cost structure to improve their competitiveness.

We would expect left wing governments to implement state capitalism and market-oriented governments to engage in a strategy of embedded neoliberalism. Furthermore, left wing governments will also increase the stream of redistributive policies, thusly boosting the aggregate demand, which helps non-connected business leaders.

Venezuela is an oil state. Industrial policy is not only necessary, but also politically inevitable. Therefore, the country will – as long as oil bursts –, engage in vertical industrial policy. The developmental incentives of the state will not fade and the duality of constraints will remain. Consequently, a less industrious government might emphasize the relative power of companies engaging in a strategy seeking to control market shares. It will however, difficultly abandon the development of a state-driven industrial sector⁴.

¹ For a description of this oil-driven state capitalism, see chapter 3.

² KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.*

³ *Ibid.*

⁴ For instance, when Carlos Andrés Pérez pushed for structural reforms in the 1990's he also created the Conapri (Consejo Nacional de promoción de inversiones – national council for the promotion of investments). A business association created to connect national capitals, the state and multinational companies to boost the industrial sector. Similarly, interviews with the owners of construction companies corroborated that during the 1990's investment in public industrial infrastructure increased.

Finally, counter-intuitively, our model predicts that at full throttle, an active economic government generates the incentives that explain not only the rise of the rent-seeking *nouveau-riche*, but also the economic consolidation of the incumbent groups (such as the Polar Group under Hugo Chávez) and explains why multinationals were – until oil prices dropped – overall satisfied with Venezuela. As a multinational’ CEO told us, the state’s financial strength endowed the economy with the foreseeability of an oil-led political stability. Despite its imperfections, the permanence of Hugo Chávez in power was, until a certain extent, agreeable to large sector of the economic world. This can explain his long tenure at the head of the state. Therefore, mixed incentives in an oil-driven state capitalism make for an economic structure in which the state finances its political foes. As well as its connected friends.

2.3.2.3.1. Untangling the complex nature of state capitalism

Before ending this theoretical chapter, we will like to close by exposing the mechanism by which state capitalism paves the way for the coexistence of multiple paths to occupying positions of power. Expectedly, the Venezuelan state capitalism is the cradle of a multiple array of businesspersons and entrenched oppositions. The CEO of a home-products retailer described this overlap in his interview. He first characterized this profusion by referring to the multiple exchange rates in the country.

“It’s a crazy market. I mean, here people...there are some who live at 6.30, others at 11, others at 50 and others at 70. There are like four different worlds with four different exchange rates”.¹

Interview, CEO retail company

The four exchange rates in 2014

Since 2002, the government has implemented an exchange control in the country. By the time of Blo’s interview, there were 4 exchange rates. The lower was the CENCOEX (Centro Nacional de

¹ Interview Blo

Comercio Exterior – National Center for foreign Commerce) at 6.30. Then there was the SICAD 1 (Centro Complementario de administración de divisas – complementary center for foreign exchange) at 11 bs/\$. This SICAD 1 exchange was obtainable through an auctioning process in which the government gave the dollars to the bidder that proposed a rate closer to the one fixed by the auctioneer. The third was SICAD 2 at 50 bs/\$. It was a legal reference price created for oil investors. This targeted devaluation never became available to the larger public. The last rate at 70 bs/\$ was the black-market rate. Subsequently, the government approved another legal system for the acquisition of foreign currency. It was called Simadi (Sistema Marginal de Divisas – Marginal system for foreign exchanges) at a 200 Bs/\$ rate¹. This multiple system of legal and illegal exchange rates allows for complex financial structures.

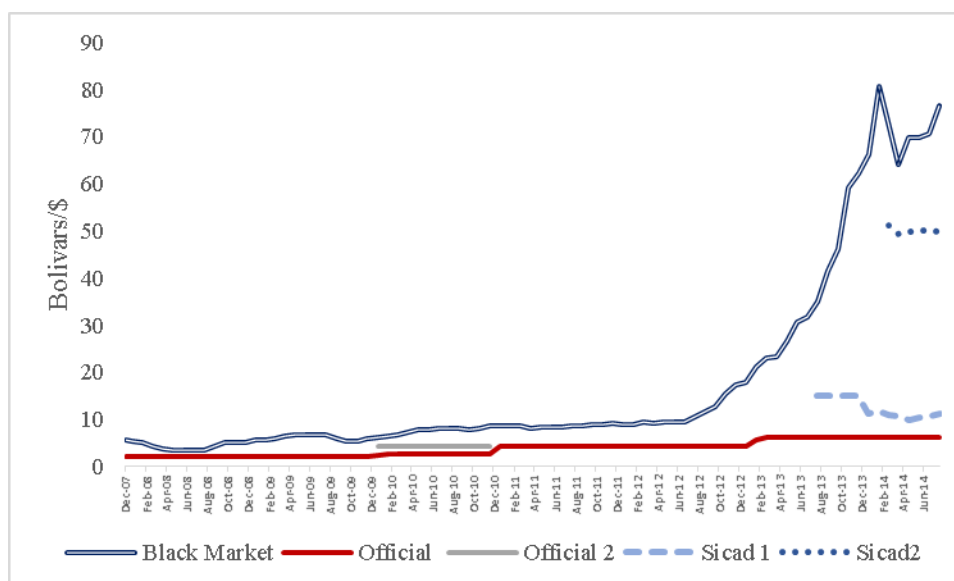


Figure 2.3 Multiple exchange rate 2007-2014. Sources BCV and Dollar today

He then identified this variety with scorn. As Blo defines it, each exchange rate accounted for a “market”, in this case, a group of people with purchasing power. He considered people that sold in other markets to be illegitimate. In his view, agents receiving dollars at the 6.30 exchange rate were “corrupt”. Whereas he – importing at the black market exchange rate – was not.

¹ <http://www.reuters.com/article/2015/02/11/venezuela-economy-idUSL1N0VK17120150211>

Going beyond his denigration of others – which are common in polarized societies –, his discourse highlights a consequence of oil-driven state capitalism. Which generates a whole system, that we may call a social mechanism in which different strategies are liable to invectives. Blo was describing a space of social competition in the economic world, one in which no actor was inherently legitimate¹.

2.3.2.3.2. An economic world with no masters

Competing in a highly regulated economy requires particular skills. Those were summed-up to us with a joke at the end of an interview by the Former CEO of a brewing company. He remembered the anecdote told by an English owner of a milk-producing farm. The story goes as follows: a tiger is about to chase two men. One of them starts stretching. The other asks why he is stretching. He then continues saying, “The tiger is much faster than you are, and no speed will suffice”. The stretcher answered back. “I do not have to beat the tiger I have to beat you”. In this CEO’s view, competing in such an environment does not require that the manager be the best. Rather the task is to beat the least effective company in the field. In these scenarios, surviving strategies are more effective for staying in business than is maximizing utility². When prices are regulated, no other actor can enter the market. Profit margins are so limited –and therefore barriers to entry so high – that newcomers can scarcely challenge incumbents. What determines who can survive in the economic world in these cases has as much to do with survival as it does with yields.

We contend that the more legitimate agents – the incumbents – have higher chances of survival. Therefore, in an oil-driven state capitalism, the social definition of “incumbent businessmen” can have major consequences. To be recognized as one, put agents in a preferential position in which he or she can receive public funds or benefit from their holds on market shares. For instance major economic groups the state has publicly threaten with nationalization, have routinely been attributed subsidized dollars in the face of massive shortages. Consequently, the social structure of economic competition in Venezuela merges the strategy that allows agents to accumulate yields and the process that enshrines them as businessmen.

¹ Agents making money with the government are labeled corrupt; those who are not are liable to be contested by the government.

².Interview Pla.

Because of the presence of the state, legitimately belonging to the business world is not only a *post hoc* phenomenon that is, a posteriori justification of the pretended eschatological necessity for someone to occupy a power position in the economic world. Nor is it only a reified narrative of inevitability built on the occupancy of a position of power based on the qualities of personal attributes (ex. I am a winner). It is an *ex ante* pre-requisite. Because the State can so dramatically alter the rules of the game, how agents made their fortune is determinant of what kind of economic endeavor will be acknowledged, and with whom an agent can be involved¹. However, as the state generates multiple incentives, no one dominates this system. Incumbents are therefore in an ambivalent position in which they are neither dominant neither easily disposable.

2.3.2.3.3. Various structures of selection

This is so, we contend, because there is not one single legitimate principle of legitimation that oversees the selection structure of the economic elites. We argue that the process of plurality described above entails specialization. Therefore, no one belongs to the business world *per se*. Their belonging is shaped by their *skillsets*; which in return is given by the process of long-term specialization.

Let us clarify this point with an example from the literature on elites. In the US in the 1950s, pluralists argued that the idea of one single power elite was exaggerated. Elections promoted the circulation² of the agents that were chosen by this process. Nobody had claimed a hold over the electoral system. Therefore, nobody actually dominated it³. Pluralists have rethought their first insights. From the 1970's onward, they started criticizing the path American democracy was taking⁴. Arguing it was becoming much more skewed towards the interests of particularly wealthy people.

¹ During a reception at an embassy, a woman we knew warned us about the informant that invited us to that party. Although he had had a long career in the economic world, he made most of his business by being an intermediary between European companies and the Venezuelan State. This specialization made him suspicious in this woman's eyes.

² The circulation of the elites is a term we take from Pareto. His point was a critique of the Marxist approach of the bourgeoisie. In his view history was a cemetery of oligarchies. Meaning that ruling members of societies never lasted eternally in power. He referred to this rotation as the circulation of the elites. Pareto the circulation of the elites. PARETO V., *The rise and fall of the elites: an application of theoretical sociology*, New York, Transaction Publishers, 1991.

³ DAHL R.A., *Who governs?: Democracy and power in an American city*, New Haven, Yale University Press, 2005.

⁴ MANLEY J.F., « Neo-pluralism: a class analysis of pluralism I and pluralism II », *American Political Science Review*, 1983, vol. 77, n° 2, p. 368-383.

However, in the unity debate there was no doubt that elections were the legitimizing process in the political arena. In the same way that in the French debate on the “grandes écoles”, the debate depends much more on the role that “les corps d’Etat” play in selecting economic elites. As one of the main opponents of Bourdieu in France argues: half of the top-40 companies’ (cac-40) bosses go through the corps d’Etat and then go into the private sector, the other half, misses the *concours* to access the ENA and has to go into “des carrières maison”¹. The role of the “grandes écoles” is not debated. They legitimately select a segment of the economic elites in France. What is discussed is which graduates from the grandes écoles finally occupy positions of power².

Consequently, an appendix of specialization in oil-driven state capitalism is the existence of identifiable paths to occupying positions of power in the business world. In that context, agents belong to the business world – and are in a good position to capturing public funds, and market shares – if they have had the correct skillset, as well as if they strode one of the various legitimate paths that justifies the positions they occupy. Consequently, in this economic competition not only social position matters; the fight to define legitimacy is central. In the Venezuelan state capitalism, we should expect to fathom a national system where multiple legitimate selection structures co-exist. This we contend is different from the European cases.

2.4. Conclusion

2.4.1. Contribution to the literature: lifting the curse

This model adds to the literature on two major points. First, it takes the passivity out of the equation. In line with the literature on embedding liberalism, we show that states and national markets play a more active role than that of mirrors of the international economic conditions. Or their

¹ BAUER M. et B. BERTIN-MOUROT, *Les 200: comment devient-on un grand patron?*, Paris, Éditions du Seuil, 1987 ; BAUER M. et B. BERTIN-MOUROT, *L'accès au sommet des grandes entreprises françaises 1985-1994*, Paris, CNRS Observatoire des Dirigeants and Boyden, 1995. Bauer et Bertinmorot 1987 and 1997. “Carrières maison” mean that people climb the corporate ladder within the companies instead of being able to be absorbed by the grands-corps fast track.

²In his article on the selection of the financiers Godechot GODECHOT O., « Le capital humain et les incitations sont-ils les deux mamelles des salaires dans la finance? », *Revue d'économie financière*, 2011, n° 4, p. 145-164. takes a mertonian argument to defend his positions. He says that from some point on, people with similar characteristics occupy competing positions. These initial positions explain why agents end up facing such power gaps. However, the idea of similarities in properties is never discussed. There seems to be almost a consensus in this French debate on the fact that typical characteristics are required to occupy certain economic positions.

institutional structures. Curses – oil or otherwise –, assume resignation, our model posits alacrity. Secondly, zealous agents – public or private –, perforce are reasonable. Their rationality, we contend, stems not from a disease – Dutch or otherwise – but from a structure of incentives mediated by resources. Gazing at strategies from a pathological vantage point, we contend, leads to errors of judgments. Such miscalculations tend to produce ruinous policy decisions. Although this is not the bulk of our argument, we hope that these conclusions should force future research to probe at oil-states with spectacles of normalcy.

2.4.2. Separating theory and measures.

Finally, our model articulates around theoretical notions that generate problems of measurements not of theory. We need to prove first that the selection of the business elites operates in the long term, secondly that the business structure is specialized, finally that the multiple strategies match the incentives from the social structure and the state. This structural theory allows for wide empirical variation. The next chapters should highlight this complexity. However, before delving more precisely into the particularities of the oil-driven state capitalism in Venezuela, we will now present what we could refer to as a mandatory methodological appendix. As we will use several techniques during our demonstration, we now have to show how we will code our empirical data all during this dissertation, in order to justify the methods of descriptive statistics we will use during this dissertation.

2.5. A methodological appendix

Our model predicts structural equivalence between the state structure, the social space of specialization and the strategies in which business elites engage. This theoretical proposition rests on our ability to measure two different types of relationships. First, we need to classify¹ three independent sets of variables to measure careers, the social space and strategies. Secondly, we need to prove that these classifications imbricate. We proved this imbrication using a Multiple Correspondence Analysis. Therefore, in this appendix we will focus on the process that allows us to code our data set to render it operational for classificatory techniques. It is important to note that our coding spurs from our theoretical argument. In this addendum, we will thusly concentrate first on the snowball sampling that led us to contact agents for interviews. Secondly, on the type of information we obtained using a semi-structured questionnaire. Finally, on coding the variables to classify our data in three different data sets to prove our working hypotheses.

2.5.1. Accessing a varied set of businessmen

The success of our endeavor rested on our ability to access the business elites². To do so, we contacted people we wished to interview in a variety of ways. Three avenues proved particularly suitable: networking at open forums, accessing pools of contacts and personal recommendations. The business world is only partially closed. Business elites attend a variety of forums in which we were able to have access to them, and give them our contact card. Secondly, we were able to access business elites, through the board of a private university. These first contacts opened the gates for further recommended interviews. We presented ourselves as being a PhD student coming from France and working on the experience of business elites in Venezuela ('la trayectoria de los empresarios en Venezuela'). This topic spurred their attention.

Figure 2.3 is a network of recommendations of the interviews we conducted during our PhD fieldwork colored by entry point. We accessed business elites through two open events: the jira jara meeting (event for prominent figures from the cultural, economic and political world) and the

¹ IZENMAN A.J., *Modern Multivariate Statistical Techniques: Regression, Classification, and Manifold Learning*, Springer Science & Business Media, 2009.

² USEEM M., « Reaching corporate executives », R. HERTZ et J.B. IMBER (dir.), *Studying Elites Using Qualitative Methods*, Thousand Oaks, CA, SAGE Publications, 1995, p. 18-39.

annual meeting of an encompassing business association in Caracas. Then we accessed two pools of contacts: the economic service of an embassy and the board of a private university. Finally, we accessed some contacts through personal mails, or through our family network. This variety of entry points, allowed us to go beyond our personal network in Venezuela and to obtain a varied set of business elites. As figure 2.4 indicates we were able to delve into worlds of agents that did not mention one another. Further proving the consistency of the variation.

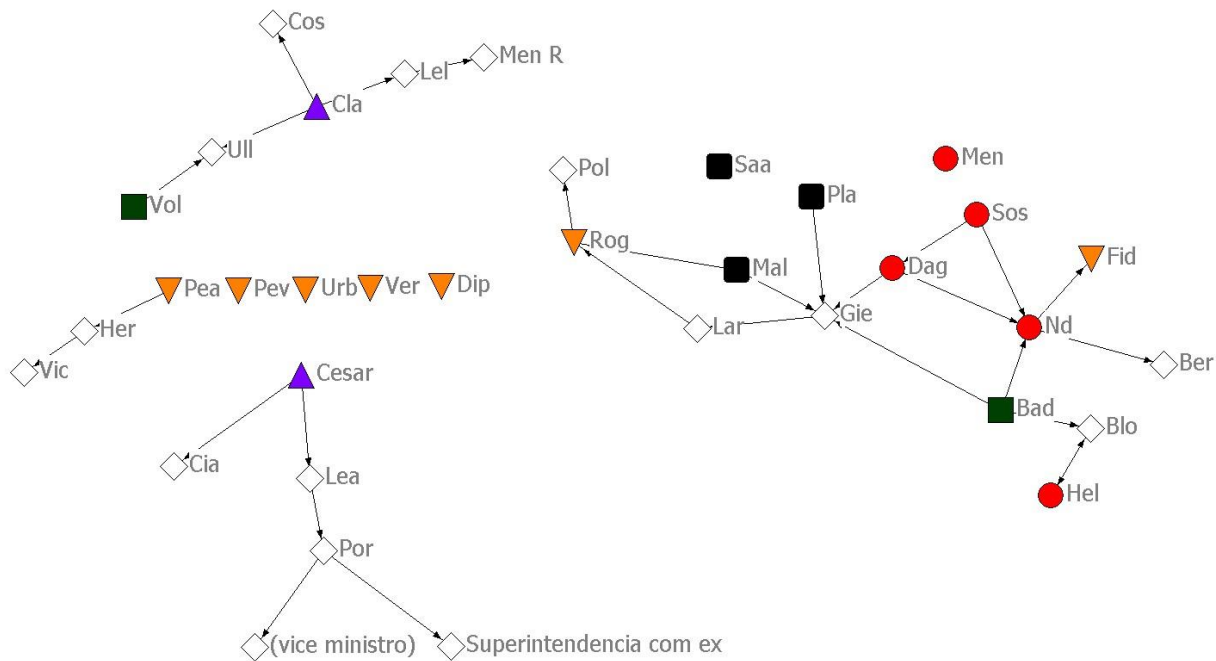


Figure 2.4 Network of Recommendation colored by point of entry in snowball sampling

Down Triangle: Letter, personal contact

Circle: Board of private university

Up Triangle: Economic service of foreign embassy

Square: Jira Jara Meeting of distinguished people

Rounded square: annual meeting of business association

Diamond: recommendations

2.5.2. The questionnaire: obtaining qualitative data

After contacting the business elites, the interview process proved to be extremely informative. A semi-structured questionnaire was indispensable for this endeavor. Before delving into the detailed

information provided during interviews, we need however to quickly describe this type of particular interaction.

2.5.2.1. Interviewing business leaders

As Siméant and Dauvin rightly mention, the semi-structured interview is an odd interaction¹; interviewing business elites particularly so². However, in our experience this situation was not completely dominated by the interviewee as some authors have found in the French and American fieldworks. After some practice, we were able to characterize this situation as ambivalent: business elites had a weak grip on a situation they could only partially control.

On the one hand, as noted in the literature we found to be true that business elites control the time and the topic of the interview. This following quotation proves the former. We inquired the owner of a retail chain if we could ask him one more question before the last series of short ones. He replied “yes, yes no worries, what time is it? Yes you can ask me some other questions, we still have time”. Not only do they control the time, they do not inform you in advance if they wish to extend the interview. For instance, we asked a bank executive for five more minutes, and he replied, “No! go on, you told me you needed 30 or 40 minutes. I said let’s make this interview longer”. Consequently, we had to adapt our questionnaire to a circumstance we did not fully mastered.

Proof of the way in which business elites control the process of interviews is evidenced by the following quotations. The first by a bank executive. We asked him about a governmental maneuver, and he cut us: “then we would be talking politics, and this is not the topic of the interview”. We had to concede. However, this was an extremely interesting and highly informative interview. This lack of control did not shrink the availability of information. Furthermore, our interviewees need

¹ DAUVIN P. et J. SIMEANT, « Travailler sur l’humanitaire par entretiens — Retour sur une « méthode » », *Mots*, 2001, vol. 65, n° 1, p. 117-133.

² PINÇON M. et M. PINÇON-CHARLOT, « Pratiques d’enquête dans l’aristocratie et la grande bourgeoisie: distance sociale et conditions spécifiques de l’entretien semi-directif », *op. cit.* ; CHAMBOREDON H., F. PAVIS, M. SURDEZ, et L. WILLEMEZ, « S’imposer aux imposants. A propos de quelques obstacles rencontrés par des sociologues débutants dans la pratique et l’usage de l’entretien », *op. cit.* ; HERTZ R. et J.B. IMBER (dir.), *Studying Elites Using Qualitative Methods*, *op. cit.* ; COHEN S. (dir.), *L’art d’interviewer les dirigeants*, *op. cit.* ; LAURENS S., « “Pourquoi” et “comment” poser les questions qui fâchent? », *op. cit.* ; SCHNEIDER C.J. et L.L.M. AGUIAR (dir.), *Researching Amongst Elites*, *op. cit.*

to control the process was not unsurmountable for two reasons. First because refusals were sometimes easy to circumvent. We asked the CEO of an energy company what it was “like to be a state contractor”. He corrected us with a shrug. We retrieved, “this sounds awful, can I say working for public clients?” He replied, “Yes, that sounds much better”. Then we asked once more, “What are the difficulties of working with public clients in Venezuela”. And he answered back. It was the same question, and we obtained the answer we wanted. Secondly, because by answering our questions we could have similar answers on particular topics. We knew that we would use quantification methods to compare interviewees. These precise questions limited the control that they usually have over these interactions.

These attempts of control, spur from the uncontrolled grip they have over this interaction. The next quotations indicate the latter. After some minutes and protected by anonymity¹, interviewees tended to relax and took a less formal tone. After an hour of interview, a public regulator used a picturesque image to say “he was not stupid”. Referring to a conversation he had with a friend in Washington, he had proven wrong, he recalled his rebuttal: a sentence that literally translates: you think the ass’ dick is a horn (“tú piensas que el huevo de burro es corneta”; meaning I am not stupid). Furthermore, some interviewees feel even threatened by the recording device. As a trader told us after the interview, this was the first time he conducted an interview. And that scared him tremendously.

Therefore, interviews with business elites are an ambivalent interaction in which, protected by anonymity, interviewees tend to deliver forthright answers. Although they do not necessarily deliver you easily understandable data. This is why the use of statistical methods proved essential. Even if they do, however, control the clock and the topics we could discuss.

2.5.2.2. The questionnaire

Within our theoretical framework, this questionnaire looked to obtain three types of information: on biographies, on personal characteristics and on strategies. In consequence, our questionnaire was divided into three segments. Interviews lasted between 30 minutes to 1 hour.

¹ All our interviews are anonymous and we only use code names approved by our interviewees. We never mention their companies’ names. Informed agents might guess the identity of some of these interviewees, but if they were informed enough to guess, this dissertation would only provide them with little supplementary information.

In an hour interview, the first segment lasted for about 10-20 minutes. We opened with the following question “how did you get to the position you are now in”. After this biographical presentation, we asked them to insist for 30-40 minutes on the constraints they faced in the day to day; and how they solved them in practical terms.

Sosa		
1. Trayectoria		Subordinado
2. Roles		Independiente
3. Factores concretos		
Replicar		Agradece → ambiente
1. Constr. (reconstrucción)	1. Codin (inflación) (exager)	
2. Misión Virtual	2. LOT	
3. Reformas actuales	3. Planificación	
Significativos		
1. Estudios	Zubillaga	
2. Puestos ocupados	↳ Formado	
3. Afiliación a inst.	San Miguel de Yuma	
4. 2 Recreativos	↳ Excelesor	
5. Peritajes	toranzo Mendoza	
6. Pol. 1 y 2 miales	↳ Roles.	
7. Kathy Reporte	Nelson Rios	
8. Mac 1º Pablos		
9. Estudios Pablos		
10. Prof. Pablos		
11. Pos. Pol. 2 Pablos		
12. Pos. Pol. 2		
13. Contacto		
		Epoca difícil
		↳ a s i
		↳ Necesidad
		↳ Exager
		República Dominicana.
		Unión de la
		hipótesis de la

Figure 2.5 Example of questionnaire and notes, company in the construction sector

After some interviews, we developed a series of questions that proved useful to continue the conversation. These questions allowed us to reach two types of data. First, information on the constraints and the conjuncture in the particular economic sector in which interviewees conducted their businesses. Secondly, on general problems affecting the economy: accessing dollars, dealing with inflation, massive shortages, how agents saw the long-term in this environment (planning) and HR problems (unions and the impossibility of firing workers).

Figure 2.5 shows an example of this semi-structured questionnaire for an interviewee working in the constructions sector. First we asked him to give a general sequence of events in his sector (this was a general question if agents shied away), then to insist on the mission Vivienda (the government planned to build over 1 million houses in three years), and finally to delve into reforms that were affecting the construction sector. We also asked him, if he had not mention it himself, how he accessed dollars, how he dealt with inflation, how he dealt with massive shortages, how he could plan in this environment, and how he dealt with particularly fierce unions in the construction sector.

Finally, we asked interviewees some closed questions for ten minutes. These sought to complete missing biographical information (studies and meaningful dates in their professional career), their affiliation to different organizations (clubs, charities, parties and business associations). We then asked them about their leisure activities (sports or hobbies). Subsequently we asked a series of questions on both their parents (nationality, education, professional activity and political position). We closed with two personal questions. One open question on political definition (“how would you define your own political position”), a second asking them whom they thought we should contact.

<u>Objective</u>	<u>Question</u>
Clarify biographical information	<i>Studies</i>
	<i>Professional positions occupied</i>
Proxies for social capital	<i>Clubs</i>
	<i>Charities</i>
	<i>Political parties or business associations</i>
	<i>Sport/Hobby</i>
Proxies for social reproduction	<i>Parents' nationality</i>
	<i>Parents' studies</i>
	<i>Parents's profession</i>
	<i>Parent's political position</i>
Test politization and degree of political knowledge	<i>Personnal political position</i>
Snowball sample	<i>Contacts</i>

Table 2.1 Objective of supplementary questions in questionnaire

Table 1 shows the utility of the last questions *vis-à-vis* our theoretical framework. The first set of biographical entry points informed us on missing information. We were also able to ask for a CV in the best-case scenario. The second set of questions were proxies for social capital. As we saw this is fundamental for belonging to the business world. Finally, we tested for social reproduction. We did not only take into account economic intra-generational reproduction but educational as well. Then, we asked a question to test for both the political position and the political knowledgeability of the business elite. The last question tested agent's position in a web of recommendation, and helped us build our snowball sample.

Therefore, our questionnaire contained biographical information, data on the personal characteristics of the interviewees, and entry points on concrete solutions to economic constraints (strategies). Foreseeably, these questions also produced a series of answers on the type of company in which interviewees worked.

2.5.3. Measuring and characterizing groups

Having conducted interviews, we then proceeded to code them using two different techniques. First, we built biographical spreadsheets for each agent listening to the recorded interviews. Table 2 shows the information in a typical spreadsheet.

Topic	Information	Precision
Parents' Nationaly	<i>father</i>	<i>Country X</i>
	<i>mother</i>	<i>Country X</i>
Parents's Education	<i>father</i>	<i>Level X</i>
	<i>mother</i>	<i>Level X</i>
Prent's profession	<i>father</i>	<i>Profession X</i>
	<i>mother</i>	<i>Profession X</i>
Parent's political position	<i>father</i>	<i>Position X</i>
	<i>mother</i>	<i>Position X</i>
Political position		<i>Position X</i>
Place of birth		<i>Place X</i>
Date of birth		<i>Date X</i>
Studies	<i>Period X</i>	<i>Place Y</i>
	<i>Period X</i>	<i>Place Y</i>
	<i>Period X</i>	<i>Place Y</i>
Economic sector		<i>Sector X</i>
Professional positions	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
Business Associations	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
Political position	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
Teaching position	<i>Period X</i>	<i>Position Y</i>
	<i>Period X</i>	<i>Position Y</i>
Charities	<i>Period X</i>	<i>Position Y</i>
Mentions of time	<i>Period X</i>	<i>Place Y</i>
Other information		<i>Sports</i>
		<i>Clubs</i>
		<i>Children</i>
		<i>Etc</i>

Table 2.2 Information on biographical spreadsheet

We then transcribed the second segment of the interviews (on strategies). This produced a 456 pages document containing the discourse on strategies of the business elites we interviewed. We coded this document for each interviewee separating on the one hand discourses on agents' view on the evolution of the economic situation. And, on the other hand, practical actions that they took to face this situation. To put it succinctly, this second group of spreadsheets indicated agents' perceived constraints and their economic actions to solve them. We used the biographical spreadsheets to code the sequence analysis and the Multiple Correspondence Analysis. We used the verbatim of the transcribed interviews to code the strategies.

2.5.3.1. Sequence analysis

Using the sequence information (studies and professional position) on the biographical spreadsheet on table 2, we created two sets to perform a sequence analysis. The first was educational and the second professional¹.

Variabes	Code	Explanation	Abs freq
High School	SF	Foreign High School	7
	SPRIV	High Status Private High School	22
	SPUV	Low Status High School	9
Undergraduate education	UF	Foreign University Studies	13
	UH	High Status Private University in Venezuela	8
	UL	Low Status Private University in Venezuela	7
	UPUBV	Public University in Venezuela	11
Graduate	PGF	Foreign Graduate degree	11
	MBA	Foreign Graduate degree in Business Administration	6
	PGV	Graduate degree in Venezuela	5
PhD	DP	PHD and Teaching assistant between Master and PHD	6
Working life	WOR	Working life	38

Table 2.3 Codes for education data, TraMineR

Let us first describe the education set. We used our data sheets to create codes ranging from high school to graduate education. Each one of these variables had underlying factors (foreign, high status, etc). We then inscribed these into a time matrix.

¹ For more precision on coding see chapter 4.

Years	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Pol	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR
Hel	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	SF	UF	UF	UF	UF	PGF	WOR	WOR	WOR
Cia	SPUV	SPUV	SPUV	SPUV	SPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	PGF	PGF
Aqu	SF	SF	SF	SF	SF	UF	UF	UF	UF	UF	UF	UF	WOR	WOR
Pla	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Ber	SF	SF	SF	SF	SF	SF	UF	UF	UH	UH	UH	UH	UL	UL
Poc	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR	WOR	WOR	WOR
Mal	SPUV	SPUV	SPUV	SPUV	UL	UL	WOR	WOR	WOR	WOR	WOR	WOR	WOR	WOR
Gia	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UF	UF	UF	UF	WOR	WOR	WOR	WOR	WOR
Chas	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
MenR	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UF	UF	UF	UF	UF	UF
Vic	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UL	UL	UL	UF	UF	MBA	MBA	WOR	WOR
Cos	SF	SF	SF	SF	SF	UF	UF	UF	UF	UF	UF	WOR	WOR	WOR
Bad	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UF	UF	UF	UF	UF	UPUV	UPUV	WOR	WOR
Sos	SF	SF	SF	SF	SF	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Fid	SPUV	SPUV	SPUV	SPUV	SPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR
Men	SPRIV	SPRIV	SPRIV	SPRIV	SF	SPRIV	UF	UF	UF	UF	WOR	WOR	WOR	WOR
Urb	SPUV	SPUV	SPUV	SPUV	SPUV	UL	UL	UL	UL	UL	WOR	WOR	WOR	WOR
Gag	SPUV	SPUV	SPUV	SPUV	SPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR
Rog	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Naz	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	PGF	PGF	PGF	PGF
Blo	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UF	UF	UF	MBA	MBA	WOR	WOR	WOR	WOR
Lar	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	MBA	MBA	WOR	WOR
Pev	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR	PGF	PGF	WOR
Her	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR	WOR	WOR	WOR
Arc	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Dag	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Saa	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	WOR	WOR	WOR	WOR	WOR
Pea	SPUV	SPUV	SPUV	SPUV	SPUV	UPUV	UPUV	UPUV	UPUV	WOR	WOR	WOR	WOR	WOR
Lel	SPRIV	SPRIV	SPRIV	SPRIV	SF	SF	UF	UF	UF	UF	UF	WOR	WOR	WOR
Ull	SF	SF	SF	SF	SF	SF	UF	UF	UF	UF	PGF	PGF	WOR	WOR
Dip	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UPUV	UPUV	UPUV	UPUV	UPUV	WOR	WOR	WOR	WOR
Lea	SPUV	SPUV	SPUV	SPUV	SPUV	UL	UL	UL	UL	UL	UL	WOR	WOR	WOR
Nd	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UH	UH	UH	UH	UH	WOR	WOR	WOR	WOR
Por	SPUV	SPUV	SPUV	SPUV	SPUV	UL	UL	UL	UL	UL	PGV	WOR	WOR	WOR
Ver	SPUV	SPUV	SPUV	SPUV	SPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV	UPUV
Voll	SPRIV	SPRIV	SPRIV	SPRIV	SPRIV	UF	UF	UF	UF	UF	WOR	WOR	WOR	WOR
Cla	SPUV	SPUV	SPUV	SPUV	SPUV	SF	UF	UF	PGF	PGF	WOR	WOR	WOR	WOR

Table 2.4. Detail of time Matrix, education set for TraMineR, first 14 years (30 in total), ordered by age of interviewee.

Table 4 shows the codes on the first 14 years of the education time matrix used for the TraMineR sequence analysis¹. Each of these lines was considered as one vector in time. We then measured similarities between agents with the TraMineR program on R. The result was a classification by groups (or clusters) of education trajectories.

¹ See Annex for precisions on the R code used for this study.

We treated our professional coding with a similar technique. Table 5 shows the coding for the professional sequence analysis. This process was more complex as hierarchical structures within companies were less systematic than the educational ones. We measured distances between agents with a similar technique than that used for the previous set. And will thusly not delve into a detailed account.

Variable	Code	Explanation	Abs freq
Professional Position	WOR	Manual Worker and low-level employee	20
	CE	Middle Management (Public or Private), responsible of a company at sub-national level, responsible of scientific fund, Cargo Captain	21
	AP	Assistant to the president, trainee, son in law	6
	VP	Executive position or Vice president position, head of a business branch (national responsibilities), Junior Associates in big consulting or Lawyer firms.	19
	PRE	CEO's or country Representatives of Multinational Companies	22
	EF	Owner of a company with few stock-holders (law firm)	11
	HFE	Important Economic positions in the public sector : Public Fund president, Finance Ministers, Head of regulatory agencies	8
Test	ED	Education except PHD	37
	PU	PHD and Teaching assistant between Master and PHD	8
	MIN	State experience : Work for a ministry as Mid-level employee, technical collaborator for the national assembly, barrister for the supreme court	7
	OIL	Worked as mid-level employee in the oil sector	5
	TIN	Remunerated survival positions: Consulting, Board member, charities.	15

Table 2.5 Coding for professional sequence by TraMineR

We classified the distances between the agents into clusters of similarities (5 clusters for education, 4 for professional endeavors). Then we characterized these clusters. Finally, we connected them

using the NetDraw program to visualize clusters of educations “transforming” into professional clusters¹.

2.5.3.2. MCA

We also used the biographical sheets to classify agents using a Multiple Correspondence analysis. This analysis measures a space of distances between active variables. It shows which the strongest underlying factors in a set are: which factors identifying agents are the farthest. Table 5.1, p 269, and 5.3, p273 (Chapter 5) present the active and passive variables in the MCA. We will not present them here, for clarity reasons.

We wish here only to help visualize the spreadsheet we used for building the MCA. Table 6, presents the agents coded by their active and passive variables. Codes are available at pages 269 and 273; however, reading this table is complex. Nevertheless, it helps us concentrate information on one single individual. Each agent was characterized by 20 variables and 88 potential categories. This provided enough information to assess similarities between our interviewees. We also were able to build groups of similarities using a clustering technique.

Finally, we were able to compare if the group of similarities built with the TraMineR program corresponded to the groups of similarities construed with the MCA². Therefore, this process of classification helped us prove structural equivalence.

¹ See graph in chapter 4

² See chapter 5 for specificity.

	Active										Passive									
	Sec Ed	Undergrad	Diploma	Grad	Carer	Assoc	Sells State	P Studies	P Pos soc	5ed	clprof	Sector	Type Business	Size	Nacpar	Politics	Sport	Clubs	Charity	
Aqu	SF	UF	LAW	PGNa	ExecF	UNA	VSETA	0	0	4	3	SETA	TE	S	VZLA	PEX	DSOC	0	BNA	
Arc	SPrIV	UHPriV	ING	PGNa	FamV	UPRIS	VNA	PSEC	PLCOM	2	1	SCOM	TPA	M	EUR	PEX	CNTR	0	BNA	
Bad	SPrIV	UF	ING	PGNa	ExecF	UPCHAM	VEITA	PPRIM	PWOR	2	4	SAGRO	TMUL	L	VZLA	PEX	POLHF	DCOL	CHN	BCAT
Ber	SF	UF	LAW	PGNa	ExecV	UPRIS	VEITA	PUNI	PHONC	4	3	SHN	TNA	L	VZLA	PMIX	POLNA	DSOC	CHO	BED
Blo	SPrIV	UF	ING	PGF	FamV	UPCHAM	VNA	PUNI	PHCOM	2	2	SCOM	TPA	M	VZLA	PVZLA	CNTR	DSOC	CHN	BED
Cha	SPrIV	UHPriV	ING	PGNa	ExecV	UNA	VNA	PSEC	PLCOM	2	1	SAGRO	TPA	S	VZLA	PVZLA	POLHF	0	CL	BCAT
Cia	SPrIV	UPubV	ING	PGF	ExecV	UNA	ETA	PUNI	PLCOM	3	3	SIND	TE	L	VZLA	PMIX	LEFT	DNA	CNA	BIND
Cla	SF	UF	OTR	PGF	ExecF	UPCHAM	VNA	PUNI	PINT	1	4	SCOM	TMUL	M	VZLA	PEX	POLNA	DIND	CNA	BIND
Cos	SF	UF	ING	PGF	ExecF	UCHAM	VEITA	PUNI	PHIND	4	4	SAGRO	TMUL	L	EUR	PEX	POLHF	DSOC	CHN	BNA
Dag	SPrIV	UHPriV	ECO	PGNa	FamV	UPCHAM	VNA	PPRIM	PLCOM	2	2	SCOM	TPA	L	VZLA	PEX	POLHF	DIND	CL	BED
Dip	SPrIV	UPubV	ING	PGNa	ExecF	UCHAM	VEITA	PUNI	PHONC	5	4	STEC	TMUL	L	VZLA	PVZLA	POLHF	DSOC	CHN	BED
Fad	SPrIV	ULPriV	ING	PGV	FamV	UCHAM	VSETA	PSEC	PLCOM	0	0	SIND	TPA	S	EUR	PEX	LEFT	0	0	
Fid	SPrIV	UPubV	OTR	PGF	Gt	UNA	ETA	PSEC	PWOR	3	3	SETA	TE	L	VZLA	PVZLA	LEFT	DNA	CNA	BNA
Gag	SPrIV	UPubV	ECO	PGV	Gt	UNA	ETA	PSEC	PWOR	3	3	SETA	TE	M	VZLA	PVZLA	LEFT	DNA	CNA	BNA
Gia	SPrIV	UF	ING	PGNa	FamV	UPCHAM	VNA	PSEC	PHIND	2	2	SIND	TPA	L	EUR	PEX	DRT	DSOC	CHN	BED
Hel	SPrIV	UF	ECO	PGF	FamV	UPCHAM	VNA	PSEC	PHCOM	2	2	SCOM	TPA	S	VZLA	PVZLA	POLHF	DSOC	CHO	BED
Her	SPrIV	UPubV	ECO	PGNa	ExecV	UPRIS	VSETA	PSEC	PLCOM	5	3	SIND	TPA	S	VZLA	PVZLA	POLHF	DNA	CHN	BCAT
Lar	SPrIV	UPubV	ECO	PGF	ExecV	UPRIS	VEITA	PUNI	PHCOM	5	4	SAGRO	TNA	L	VZLA	PVZLA	DRT	DSOC	CHO	BCUP
Lea	SPrIV	ULPriV	LAW	PGV	ExecV	UNA	VEITA	PUNI	PINT	1	4	SIND	TMUL	M	VZLA	PVZLA	POLNA	DIND	CHN	BCAT
Lel	SF	UF	OTR	PGNa	FamV	UPCHAM	VEITA	PUNI	PINT	2	2	SCOM	TPA	L	EUR	PEX	POLNA	DSOC	0	BCUP
Mal	SPrIV	ULPriV	OTR	PGV	FamV	UPRIS	VSETA	PSEC	PLCOM	1	3	SIND	TPA	M	VZLA	PVZLA	CNTR	DNA	CNA	BIND
Men	SPrIV	UF	ECO	PGF	FamV	UPRIS	VEITA	PPRIM	PHIND	2	3	SIND	TNA	L	VZLA	PVZLA	CNTR	DSOC	CHO	BCAT
MenR	SPrIV	UF	ING	PGF	FamV	UCHAM	VEITA	PUNI	PINT	2	2	SIND	TPA	L	VZLA	PVZLA	CNTR	DSOC	CHO	BCAT
Naz	SPrIV	UPubV	OTR	PGF	ExecF	UNA	VNA	PSEC	PLCOM	5	4	STEC	TNA	L	VZLA	PVZLA	LEFT	DNA	CNA	BIND
Nid	SPrIV	UHPriV	ECO	PGF	FamV	UNA	VNA	PUNI	PINT	2	4	SHN	TNA	L	VZLA	PVZLA	DRT	DSOC	CHN	BCAT
Pea	SPrIV	UPubV	ING	PGNa	FamV	UPRIS	VSETA	PPRIM	PWOR	1	1	SIND	TPA	S	VZLA	PEX	LEFT	0	0	BCAT
Pev	SPrIV	UPubV	OTR	PGF	ExecV	UPRIS	VNA	PSEC	PWOR	5	4	SCOM	TPA	S	VZLA	PVZLA	CNTR	DNA	CNA	BNA
Pla	SPrIV	UHPriV	ING	PGF	ExecV	UPRIS	VEITA	PUNI	PINT	2	3	SAGRO	TNA	L	VZLA	PVZLA	CNTR	DSOC	CHN	BCAT
Poc	SPrIV	UPubV	LAW	PGNa	ExecV	0	VEITA	PSEC	PHCOM	5	3	SIND	TNA	L	VZLA	PMIX	POLHF	0	0	BED
Pol	Sna	ULPriV	NA	PGNa	FamV	UPRIS	VNA	PPRIM	PWOR	1	1	SCOM	TPA	S	EUR	PEX	CNTR	DNA	CL	BED
Por	SPrIV	ULPriV	LAW	PGV	FamV	UPRIS	ETA	PUNI	PLCOM	1	3	SETA	TE	S	VZLA	PEX	POLHF	DNA	CNA	BNA
Rog	SPrIV	UHPriV	ING	PGNa	FamV	UPRIS	VEITA	PSEC	PLCOM	2	2	SIND	TPA	M	VZLA	PEX	POLHF	DIND	CNA	BNA
Saa	SPrIV	UHPriV	ING	PGNa	ExecV	UPRIS	VNA	PSEC	PLCOM	2	2	SCOM	TNA	M	VZLA	PVZLA	POLNA	DNA	CHN	BCAT
Ses	SF	UHPriV	ING	PGNa	FamV	UCHAM	VEITA	PUNI	PHIND	4	2	SIND	TPA	L	VZLA	PVZLA	CNTR	DSOC	CHO	BIND
Ull	SF	UF	ING	PGF	ExecF	UCHAM	VSETA	PUNI	PHIND	4	4	STEC	TMUL	L	EUR	PEX	CNTR	DSOC	CHO	BNA
Urb	SPrIV	ULPriV	ECO	PGNa	FamV	UPCHAM	VSETA	PSEC	PLCOM	1	1	SIND	TPA	M	VZLA	PVZLA	POLNA	DCOL	CL	BNA
Ver	SPrIV	UPubV	OTR	PGF	Gt	UNA	ETA	PUNI	PLCOM	3	3	SETA	TE	S	VZLA	PVZLA	LEFT	DIND	CNA	BNA
Vic	SPrIV	ULPriV	ECO	PGF	ExecV	UPCHAM	VSETA	PUNI	PHONC	2	4	SIND	TNA	L	VZLA	PVZLA	POLNA	DSOC	CHO	BNA
Vol	SPrIV	UF	ECO	PGF	FamV	UNA	VEITA	PUNI	PHCOM	2	4	SHN	TPA	S	VZLA	PVZLA	POLHF	DCOL	CHO	BED

Table 2.6Raw input for MCA, active and passive variables

2.5.3.3. Strategies as binary clusters

Finally, we used the interviews to code strategies. This technique was a two-step process. First, we looked for actions that interviewees took to face the constraints of the Venezuelan economy. We found 37 types of actions ranging four broad topics: their reaction to the government, their commercial policy, their human resources strategy, and how they dealt with their lines of distribution¹. Then in a second process of coding, we built a matrix of 1 and 0 (a binary matrix). Table 7 Show the binary matrix of strategies. This matrix is complex to understand at first glance². However, it gives the reader an understanding of the raw materials we are working with. We then considered a strategy to be the superposition of these multiple economic actions. Using the program hclust on R we were able to measure similarities of behavior by equating them with strategies (defined as binary vectors). We then projected these results on the MCA built above as passive variables. Thence proving structural equivalence.

¹ See table 6.2 for an explanation of the actions.

² See Chapter 6, for an explanation of the matrix.

2.5.4. Classification techniques: “not the quant stuff”

We were overwhelmed by the mass of information we were able to obtain. The use of these techniques was serendipitous. We used the MCA, because Bourdieusian sociologist did so. In a process that can be equated with sheer habitude. Two colleagues presented works using the TraMineR program at international conferences. We wanted to test it on our own data set. The methods of binary vectors spurred from a recommendation. The MCA allowed us to project strategies on to a social space of specialization. It was a fast and cost effective technique. The result is a dissertation that might seem dry at first. And overflowed with graphs and unfamiliar techniques. As the son of a statistician that never understood a word our parents' were uttering, we can only understand the feeling; and wish to inflict it on no one. However, having dealt with these techniques for the better part of the last two years, we can assure you they are nothing more than a means to simplify a lot of information. This is why we used them. We will insert the R codes in the annex. Therefore, you will be able to build the graphs on your own. We ask you to rest assured that these methods are reproducible with the coding we developed. Finally, these techniques are all ways of achieving the same goal: first, to classify agents in groups, and then to characterize those groups. Finally, to match the groups between them to prove our hypothesis of structural equivalence.

3. Chapter 3. A qualitative critique of the typical-path approach: the state-driven, scholar and professional trajectories of business careers

“The second phase of the Chávez government begun in April 2002. Then came the general oil strike [of December 2002]. All of the...traditional capitalists were very suspicious of the political panorama. However, the emergent capitalists, those that were making money. Those that had been governing for three years with Chávez...benefiting from the changes and the new opportunities. Those that had grown from 1999 to 2002. They were the most radical defenders of the idea that the government had to go. They are those that...Juan Escotet¹ was the most radical advocate of a general strike of the banking sector. He led the banking sector and forced other bankers to go on strike. When the strike was decided, he was at the Marriott hotel² giving speeches. [...] The emergent capitalists that were making money were the most eager to go against Chávez. The traditional capitalists, had searched for a way [of getting rid of Chávez] with Carmona³. They failed through the Carmona way and they could not lead the next endeavor. Which was the union/business-association operation”

Economic Journalist. Personal interview.

3.1. Introduction: critique of the “oligarchic coup”⁴ analysis.

Narratives on economic competition in Venezuela under Hugo Chávez resort too often to general categories of analysis: the *oligarchy*, the *bolibourgeoisie*, etc. These oversimplify the underlying

¹ Then president of the Banking association. First private banker of the country.

² A five star hotel in Caracas financial district.

³ Former president of the central business association. He attempted a coup d’Etat and was briefly president of Venezuela during the april’s 11th events. See CORONIL F., « State Reflections: The 2002 Coup against Hugo Chávez », T. PONNIAH et J. EASTWOOD (dir.), *The Revolution in Venezuela: Social and Political Change Under Chávez*, Cambridge, MA, Harvard University David Rockefeller Center for Latin American Studies, 2011, p. 37-65. for an account of that day.

⁴ 13 de abril de 2002: *El pueblo venezolano derrota la traición de la oligarquía y retoma el hilo democrático*, <http://www.vtv.gob.ve/articulos/2013/04/13/13-de-abril-de-2002-el-pueblo-venezolano-derrota-la-traicion-de-la-oligarquia-y-retoma-el-hilo-democratico-1857.html>.

web of interactions on which the modern Venezuelan economic system rests. The current chapter serves as a qualitative step in our effort to compare aggregated phenomena. This, in order to unveil the intricacies of the, state-driven economic structure in Venezuela, theorized in chapter 2. To highlight the importance of the social structure for explaining economic processes in the country, we will display the constitutive elements of the lengthy business elites' careers. Consequently, we will show that business elites in Venezuela garner skillsets and capitals over time. Therefore, we contend that not one single factor accounts for the selection process to become a business elite. Our multifactorial view discords with this typical-path approach positing business elites have one set of measurable advantages. One set that can be easily described with a garish epithet: the *oligarchy*, *the bolibourgeoisie*, etc. The chronicle of the 2002's "oligarchic coup" exemplifies this typical path perspective. We will use this particular moment in time as an example to examine the seldom-questioned general categories of variables normally employed to describe these events. The usual tale goes as follows.

In April 11, 2002, two simultaneous massive demonstrations paraded in the Caracas streets. The first was chavist, the second anti-chavist. Gunshots were fired against both of them, and both sides had casualties. Later that afternoon, during a national broadcast by Hugo Chávez, television stations showed images of the public protests, thus violating the law (private operators had to transmit national broadcasts). They also showed images of the shootings. This was a situation of extreme instability that led the army to ask for the president's resignation. The following day, the president of the most important encompassing business association took over the presidency. One of the only countries to recognize this de facto government was "Bush's USA". Then the television stations changed tactics from broadcasting what was forbidden to censoring all news: throughout these events (of the 12th and the 13th of April, they did not report on what was happening. Instead, they transmitted soap operas and cartoons. Following massive popular demonstrations, Chávez came back to the presidency on the 14th of April. This crisis cemented Chávez's aura in Venezuelan politics.

As a consequence, a national explanatory rhetoric was born. We could caricaturize this narrative as follows. The military staged à coup against the state. Then the business elite took over. They were immediately recognized by the American imperialist power. Finally, the glorious *pueblo* (masses) rebelled against the oligarchy, henceforth reinstating Chávez.

3.1.1. The typical path approach : leading characteristics, measurable superiority.

Thusly presented, this political narrative is evidently farcical. However, several academic narratives rely on such encompassing categories denoting a unified business sector (imperialism¹, international education², the rentier bourgeoisie³). We refer to this view positing that leading advantages raise from a pivotal moment in agents' careers as typical-path approaches. Authors working within this frame rely on main explanatory variables to understand how economic agents occupy positions of power in the economic realm *i.e.* how they become business elites.

This perspective opposes two contrasting views. First, a position driven by the importance of education, the second argues that the state – through its regulatory largesse – is fundamental in explaining the rise and success of the business elites. A first group posits the economic elites chief advantage spurs from their access to the educational system. This process instills in them distinctive characteristics⁴. This distinction eases their rise. On the other hand, crony-capitalists academics argue that education does not explain these ascents. On the contrary, they explain that in oil states, personal connections are central⁵.

Our main critique to this view is that it builds a confrontation when none should exist. If authors consider one characteristic leads the selection process, authors will debate as to which characteristics are determinant. However, we could very well imagine a system where the only agents that underwent a certain kind of education could have access to the state.

3.1.2. Questioning the functionalist nature of education

¹ DEZALAY Y., « Les courtiers de l'international », *op. cit.*

² CAMP R., *Mexico's Mandarins: Crafting a Power Elite for the Twenty-First Century*, San Francisco, University of California Press, 2002.

³ KARL T.L., *The Paradox of Plenty*, *op. cit.*

⁴ CAMP R., *Mexico's Mandarins*, *op. cit.* ; ZIEGLER S. et V. GESSAGHI (dir.), *Formación de las élites. Investigaciones y debates en Argentina, Brasil y Francia*, Editorial Manantial Flacso., Buenos Aires, 2012.

⁵ NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.* ; HABER S.H. et H.I. on W. PEACE Revolution, and, *Crony Capitalism and Economic Growth in Latin America: Theory and Evidence*, Washington, Hoover Institution Press, 2002.

We contend that these oppositions raise from of a larger debate that is not as heuristic for understanding elite selection in Venezuela. Both hypotheses engage in a wrangle that relates to the functional character of the education of economic elites.

The education hypothesis posits that studies abroad instill necessary skills into the – socially – chosen. These aptitudes are coded as superior in a given context. People with such qualities inevitably ascend. For instance, several Latin American authors (including, Mexico¹, Brazil² and Argentina³) suggest that that high-status education explains elite selection in their countries. Ivy League universities play a fundamental role of social distinction. This social capital translates, domestically into access to the most important economic positions. For the Mexican example, Roderic Camp shows that business leaders study in Mexico's private and most prestigious universities before concluding their graduate education in Ivy League colleges in the United States⁴.

The Cronyists' perspective, however, is normative. They propose that education should play a functional role. Social contacts become vital where education presents no added value. In "normal" economies, agents that go to selective schools should – necessarily – occupy the highest positions. Their view is that wherever the state can arbitrarily select leaders, education does not have the comparative advantage it otherwise should have. Education should instill skills to those best fitted to receive them. The more scholarly able should therefore be the best positioned to rule over the economy. However, whenever the state acts, this does not happens. Naim and Francés are ardent defenders of the latter perspective. They have suggested that Venezuelan business leaders during the economic reforms of the 1990's went from "courting the state to courting the market"⁵. This implies that participation in the Venezuelan economy results in a sort of romantic courtship, not in the creation of economic value.

¹ CAMP R., *Mexico's Mandarins*, *op. cit.*

² RITA LOUREIRO M., « L'internationalisation des milieux dirigeants au Brésil », *Actes de la recherche en sciences sociales*, 1998, vol. 121, n° 1, p. 42-51 ; DROSILA VASCONCELLOS M., « L'internationalisation des écoles de gestion au Brésil », *Actes de la recherche en sciences sociales*, 1998, vol. 121, n° 1, p. 62-65.

³ ZIEGLER S. et V. GESSAGHI (dir.), *Formación de las élites. Investigaciones y debates en Argentina, Brasil y Francia*, *op. cit.*

⁴ CAMP R., *Mexico's Mandarins*, *op. cit.*

⁵ NAÍM M. et A. FRANCÉS, « The Venezuelan Private Sector: From Courting the State to Courting the Market », *op. cit.*

3.1.3. A critique of the typical path approach

We argue that this debate around the social validity of the distinguished few, assumes that the distinguished few all share similar characteristics. This view is particularly pervasive in Latin American countries. As both camps agree, business elites are to blame for an oligarchic reproduction and for economic backwardness. This qualitative account begs to differ, as we will submit the idea that multiple, interrelated structures participate in the selection of powerful agents in the economic realm. We have found that adding to the scholar selection, three major professional selection structures contribute to shaping the careers of the economic elites we interviewed. The first is proximity to the “state”; the second is a cooptation by the “business associations”, and finally we have found a formal “institutional professional selection”.

This qualitative step is central for two connected reasons. First, because no single institution – or group of institutions – has the monopoly on selecting business elites. As no encompassing institution selects economic elites –as for some European examples – this depiction will help us seize this complex model. Secondly, as a consequence of this novelty, we will have to build analytical categories out of our fieldwork. This qualitative approach serves as a justification for our coding.

The historical unification and legitimation of the selection structures in Europe and the USA

Either on European or American case studies, the “classical” literature, on elites was built up in order to understand the homogenization of the structures of selection of the business elites; or to refute it. Notably, however varied in their empirical conclusions, different aspects of that discussion have been surprisingly convergent in their theoretical premises.

We will use Hartmann¹ to sustain this argument. He identifies two theoretical approaches in the sociology of elites: the functionalist and the critical. The functionalist approach argues that economic elites are the best business people because of their success; hence, they are in these superior positions because of their inherent superiority. In this view, structural conditions are

¹ HARTMANN M., *The sociology of elites*, London and New York, Routledge, 2007.

thought to reward professional ascendancy; that is why the successful command extremely powerful businesses¹.

The critical approaches posit that elite selection is the result of an arbitrary outcome of a structure of legitimation seeking to confirm the idea of its own superiority². For instance, in the French or the English example, elites go to highly selective high schools and universities. This seemingly educational mechanism – that really is a social selection structure – assesses the intellectual preeminence of a given group. A purely social selection is therefore presented – and socially legitimized – as being an academic one. Whichever the label, arbitrary or meritocratic, European elites are selected by a very precise system³.

The difficulty of criticizing such an approach is that it is not empirically false. In France, a high percentage of the economic leaders came out of the *Grandes écoles* system. In the USA, in 2010, 60% of Princeton graduates found work in finance-related jobs⁴. The actual system of the reproduction of the elites, inserted in a structure of financial capitalism characterized by rising inequalities, seems to be producing confluent mechanisms for their selection. This does not mean that this mechanism automatically creates a unified upper class. However, the literature argues they go through very similar filters⁵.

In any case, this has not always been the true. Historically speaking, the process that has led to a unified system of national elite selection is recent. Despite exaggerated interpretations, Berle and Means⁶ actually warned about the rising power of a phenomenon that seemed to be surfacing in the 1930's: a managerial elite. Before that period, as Mills argues, local businessmen were not yet integrated into a national system of major corporations⁷. On the other hand, the French historians

¹ GODECHOT O., « Le capital humain et les incitations sont-ils les deux mamelles des salaires dans la finance? », *op. cit.*

² BOURDIEU P., *The State Nobility*, *op. cit.*

³ For instance, even if Bourdieu recognizes that the field of Power is multiple, he clearly States that “les Grandes écoles” play a major role in selecting the economic elites. As he puts it, the selection structure went from being one of direct reproduction to one of statistical reproduction. In order to sustain it, its beneficiaries have to scarify some of their offspring: BOURDIEU P. et M. DE SAINT MARTIN, « Le patronat », *op. cit.*, p. 25.

⁴ RAMPELL C., *Out of Harvard, and Into Finance*, <http://economix.blogs.nytimes.com/2011/12/21/out-of-harvard-and-into-finance/>.

⁵ KHAN S.R., *Privilege: The making of an adolescent elite at St. Paul's School*, Princeton, NJ, Princeton University Press, 2011.

⁶ MIZRUCHI M.S., « Berle and Means revisited: The governance and power of large US corporations », *Theory and Society*, 2004, vol. 33, n° 5, p. 579-617. For a reconsideration on Bearle and Means.

⁷ MILLS C.W., *The Power Elite*, Oxford, Oxford University Press, 1999.

debate as to why the “patrons Normands” (Normand-French business leaders) did not succeed at implementing dynasties when the Alsacians did¹. This implies a regionalized capitalist structure in 19th century France.

Therefore an analysis of the selection (and the reproduction) of the business elite, should not assume the existence of a unified emulsifier for dominant agents. This closely resembles a universalization of the European and American case studies, which might not have a general explanatory power.

3.1.4. Plan ahead

Each of the groups of business elites presented in this chapter highlights a different facet in the selection process that leads agents to occupying positions of power in the economic world in this oil-driven economy. As no *noblesse d'état* exists in Venezuela agents working in the public economic sector, reveal two feats on the selection process of the business elites. On the one hand, an analysis of the civil servants shows that education does play an important role in defining the career of the elites-to-be. Nevertheless, professional cooptation is also essential in explaining their careers. Their position rests on an ascent through the rungs of the state hierarchy in the country. On the other hand, state contractors display the importance of the first type of professional filter in Venezuela. Their ambivalent position – between civil servants and the private sector – highlights, first that some agents do rely on the state to cement their professional careers. Secondly, that structures of professional selection work best when they aggregate. Low-status, state contractors' lucky strike falters when they lose government's grace. State contractors with careers in established companies, can survive fluctuations in upper-government.

We then concentrate on the professional selection structures in Venezuela. Agents in the business associations, showcase the second type of professional filter in the country: the formal hierarchical structure. The ascent through the formal business association pyramid is the first instance of a formal structure of selection. The second is the advancement in the corporate structure that ends

¹ CHALINE J.-P., « Les industriels normands: un patronat sans dynasties? », *Le Mouvement social*, 1985, n° 132, p. 43-57 ; HAU M., « La longévité des dynasties industrielles alsaciennes », *Le Mouvement social*, 1985, n° 132, p. 9-25.

with an agent occupying a “presidential” position in a firm. The study of agents in the “private sector” then, unveil what these executive positions entail. They are first a way of signaling that business elites have garnered informal capitals in the business world: that they understand the “rules of the game” – described to us as “knowing the market” – and that they have “social capital”. Cumulating the informal capital is, next to relationships with the state, the positions within the business association and the position in the corporative hierarchical structure, the fourth type of professional filter in the business world. Secondly, “presidential positions” are a way of displaying the amount of assets that a business elite musters. This will prove instrumental for the next chapters as we show that by stating an agent’s education, his or her relationship with the state and the business associations, and his or her position in the corporate hierarchy is a good means for assessing his or her assets in the business world.

3.2. Long-term careers in the state economic sector: Academic education and professional cooptation of the eligible

“This economy is managed by the State. Private enterprise is limited. The State is autonomous. It doesn’t need anyone. The state has all the money because it owns the oil. It doesn’t even need multilateral organizations. In Nicaragua, the UN is the state. They finance everything. [...] In Venezuela, the private sector is not a factor of power”.

Banking executive

The view presented above matches that of the second group of authors working within a typical-path approach frame¹. Authors resting on state-centered views of the selection of business elites, argue that contacting government officials fully explain how elites got to positions of power. Our multifactorial approach contends this perspective is lacking. An analysis of the careers of agents in the public economic sector shows that both education and professional cooptation are necessary for describing the trajectories of the business elites. In Chapter 2, we gave a description of the institutional framework of an uncoordinated state in oil countries. As we saw, the state in Venezuela is both an actor and a regulator of the economy. Therefore, to understand which agents revolve around the state economic sector, we will have to study both civil servants and state contractors.

3.2.1. State employees: selecting the excluded, legitimizing their path

“I was an adviser in a group called the Grupo Garibaldi. I was in charge of oil policy. Jorge [Giordani] was in charge of economic policy. Hector Navarro, was in charge of education. Hernán Escarrá belonged to the group. He was the lawyer that was chavist, then went to the opposition and now is chavist again. [...] That group was important. We conducted thousands of interviews with the most prepared men in all areas of knowledge. It’s the biggest programmatic effort in the history of Venezuela.

¹ KARL T.L., *The Paradox of Plenty*, *op. cit.* ; HABER S.H. et H.I. on W. PEACE Revolution, and, *Crony Capitalism and Economic Growth in Latin America*, *op. cit.*

Jorge Giordani kept those documents. Suffice it to say, that this effort died with the coup d'état [in 2002]. From then on, Chávez did whatever he wanted.”

Former president of State-owned Company.

Before describe the government officials' careers, a small historical perspective is necessary. Chávez' first political party was the The MBR-200 (Movimiento Bolivariano Revolucionario 200, that is, the Bolivarian Revolutionary Movement 200). It knitted together two types of militants. The first were ex-military men that accompanied Chávez during the 1991 coup d'état. The second was a selected group of left-wingers that were at first neither affiliated with the MAS (Movimiento al Socialismo – Movement toward Socialism) nor with the Causa R (Revolutionary cause): these were the two extreme left-wing parties of the political spectrum at the time.

Both the military and the left-wingers gained access to executive positions when Chávez got to power. Unfortunately, we were not able to interview military personnel in economic positions. Nevertheless, we did have access to high-level officials that got into positions of power because of their political affiliations in left-wing movements in the 1960's and 1970's. This foundational duality is at the source of most of the articles claiming that chavism was a civil and military movement¹.

3.2.1.1. *The Old guard: left wing militants in economic positions*

When Hugo Chávez claimed governmental responsibilities, he found a structure of nested state employees. The most publicized case is perhaps that of the so-called *oil meritocracy*². This however was not limited to the oil sector. In the first years of his government he systematically substituted them with “new men”. These were put in every governmental position. This had a particularly acute effect in the public economic sector. Two distinguishable features characterized these agents. First,

¹ CORRALES J., « Why Polarize? Advantages and Disadvantages of a Rational-Choice Analysis of Government-Opposition Relations under Hugo Chávez », T. PONNIAH et J. EASTWOOD (dir.), *The Revolution in Venezuela: Social and Political Change Under Chávez*, Cambridge, MA, Harvard University David Rockefeller Center for Latin American Studies, 2011, p. 66-94.

² RAFAEL QUIROZ S., *Meritocracia petrolera, mito o realidad?*, Caracas, Editorial Panapo, 2003.

their social ascent led them through the public education system at both the secondary and the undergraduate level. Secondly, they all had a political affiliation with left-wing groups.

Interview with Gag: the regulator of the financial system

Gag is an example of the public-educated civil servants with left wing militancy that got to positions of power under Hugo Chávez government because of his previous professional specialization. He is the son of a manual worker and a housewife from the suburbs of Caracas. He studied in a public high school in the late 1960's. From 1970 onwards, he worked as an accountant for a financial regulatory agency while he was studying economics at a public university in Caracas¹. He was very politically active in left-wing movements during those years. He finished his "career"² in 1978 and got a job in the same regulatory agency to which he had been previously affiliated. In 1981, he decided to move to Central America to "help the revolution"³. During those years, he taught economics in that Central American country and participated on the front. In 1985, he returned to Venezuela. The friends he had worked with at the beginning of his career helped him get a job in the State regulatory agencies. By 1989, he had advanced up the "ladder". This professional betterment gave him access to a state financed graduate degree in a private institution in Venezuela. The objective of the course work was to train regulatory agents that could understand the open economy that at that time was being slowly installed in the country⁴. For political reasons⁵ the reforms of the regulatory agencies in the insurance sector were abandoned and the course thus rendered useless. He first contacted the Chávez movement MBR-200⁶ in 1992.

After his graduate work, he returned to working for the regulatory agency. As proof that his career was not dependent on Hugo Chávez, He was rapidly hired by a medium sized bank as vice

¹ Vagueness is used to protect as long as possible the identity of our interviewees.

² In Venezuela an undergraduate career is five years long and was sufficient to start a « career ».

³ Interview gag

⁴ In 1989 a social-democratic president (Carlos Andrés Pérez) was elected to the presidency. In Power he sought to implement "neoliberal" politics. One of these failed policies concerned the transformations of the regulatory agencies.

⁵ In 1989 when CAP got to the presidency he had to face first huger riots that same year, a harsh opposition from his own party's union, two military coups in 1991 and an impeachment in 1992. The course was called off after the second coup in 1991.

⁶ It was Hugo Chávez's first political party. The elections commission forced him to change its name to MVR (The 5th republic movement) because "bolivar" was a national sign and could not be appropriated by a single party.

president. In this executive position, he obtained a number of privileges. They gave him credits to buy a new apartment and two cars. Then again, the banking crisis of 1994 swept his bank away, and although he managed to ease its fall, it eventually went bankrupt and he faced some years of prison.

However, his options in the public economic sector opened when Chávez became president in 1999. He first chose to deepen the cooperative movement. Gag participated in it because he believed it was a “truly socialist economic plan”. He worked there as a director for competitiveness until 2004. He left the organization because he came to realize it was nothing more than a plan to “distribute money” and was not oriented towards “productivity”.

After this hiatus, he returned to the central public financial sector. He worked as a consultant for the president of a publicly-owned bank and for the Ministry of Industry and Foreign Commerce. From 2005 to 2007, he worked as a vice president for another publicly-owned bank linked with foreign trade. After the reform of the banking sector in 2009¹, he became the executive director of the Superior Council for the Supervision of the public Banking Sector, a structure that coordinated the policies of the public banking sector. The president, the vice president, the minister of finance and the president of the Central Bank sat in that committee. Simultaneously with this coordination work, he worked as the chief regulator of an agency in the financial sector. He retired in 2014.

Gag had a familiarity with the Venezuelan financial system of over thirty years when Chávez got to power. He lived through a public-educated, social rise that led him to the public financial sector. When the *Bolivarian revolution* reached the presidency, he only rose hierarchical positions in his professional field, whose position had been defined by both his education and his long-term professional selection. Cia's career² is similar. He worked in the oil industry in a middle management position. His long-term, left-wing militancy and his understanding on the oil-industry,

¹ After a banking crisis in 2009, Chávez decided to partly nationalize banks belonging to the bolibourgeoisie. He also nationalized foreign banks. The banco de Venezuela (grupo Santander: Spanish). Subsequently he signed into law a reform of the financial sector. This law had two major consequences. First it divided insurance and banking institutions. Secondly it modified the State/banking sector relationship. Previously this was a dual relationship. In the *consejo superior bancario* (superior banking council) the ministers, the president of the central bank and the presidents of the most important banks discussed day-to-day economic matters. Through the banking association affiliated to fedecamaras, (most important business association), the sector lobbied for long-term financial regulation. Interview gag. The latter was maintained. However, the government transformed the former into a structure of coordination for the public banking sector.

² See annex P-385-390

allowed him to participate in the garibaldi group¹. This connection with early chavistas opened him the gates of high-ranking position in the public oil-holding PDVSA.

Interview with Fid: the public banker

Fid's career resemble that of Gag and Cia. His public education also led him through a rise in the social hierarchy. However, he quickly traded his position as an university professor for that of an administrator of a scientific fund. His traded – once more – his understanding of public finance for a position in the public economic sector when Chávez got to power.

He is also the son of a manual worker and a housewife from the suburbs of Caracas. He studied in a technical high school in a poor neighborhood in Caracas. He then studied mathematics in a public university in Caracas and graduated in 78. From a very early stage, he got close with groups on the extreme left of the ideological spectrum. From 1980 onward, he was hired as a mathematics teacher in the same public university where he received classes. From 1988 to 1991, he earned a PhD in a socialist country. That academic trip was financed by a scholarship from the Venezuelan state. He came back to Venezuela in 1991 and followed a political career in the University. He became close with the MBR-200 movement and helped Hugo Chavez by giving him university space for his first political reunions². He was first elected as a representative of the sciences faculty for a scientific investment fund belonging to the university in 1994. After being promoted to the highest teaching rank in 1995, he was asked to coordinate that scientific fund from 1996 to 2000.

When Chávez got to power, he traded his academic career for responsibilities in the public economic sector. He was first a substitute representative in the short-lived 1998 National Assembly. Then in 2000, he became a technical consultant for the president of the Sub-Committee on Economy and Finances of the National Assembly. That same year he became vice minister in the Finance Ministry. Between 2000 and 2004, he was Minister of Finance, president of a major state development bank, Minister for the Social Economy and Minister of Development. From 2004 and 2007, he was in charge as the Finance Minister. He was thrown out of the government in

¹ The Garibaldi group was a policy effort conducted by early chavistas. They interviewed experts in several sectors of the economy. The end result was the first programmatic effort of Chavism. Transcripts of this meetings are highly confidential.

² This is anecdotal, however we recorded several instances where people insist on the small number of followers Chávez movement had in the beginning.

2007, and went back to the university. At this time he was hired by the board of a polling company with close ties to the government. From 2009 onward, he has been president of the Central Bank.

Although Fid did radically change his career path – from a left wing, university professor to a central banker – he was still a scholar with some understanding of the public financial system.

3.2.1.1.1. A career approach at chavism's first state economic agents

All of these men were leftwing militants that accompanied Chavez from the beginning. They came from modest but not destitute backgrounds and used the university as a “social elevator”. Chavez's presidency was a significant event. This shift in the political field signified a fundamental transformation in the positions to which they could aspire. Although we did not have access to interviews with any high ranking military officers¹, these three biographies offer a first glimpse of the kind of people that took over the state economy under Chávez' presidency. They were a group of leftwing militants with long-term involvement in the public-education selection structure where they were promoted to positions of power. Although some were promoted in their areas of specialization, whereas other went through abrupt transformations.

The same logic applies to military officers, although the story changes slightly. Military officers in Venezuela go through a process of higher education selection in the Military Academy in Caracas. High-ranking officers usually have additional training courses (roughly equivalent to graduate degrees) in Brazil², “in Peru or in the United States³. Thus, military training would correspond to a similar long-term public education selection structure. It is important to note that all three of these

¹ High-ranking officers have increased their economic presence in the country. However, they are more present in State companies than in important economic ministers.

² During an informal conversation, a Journalist specialized in the military in Venezuela said that all of Maduro's general had been to “forest trainings” in Brazil.

³ A well-informed chavista told us that during the coup d'Etat “in 2002 Chavez lost everything. 120 generals he had and that had been formed at West point and Perú conspired against him and left” Cia. This however might have changed in the last few years.

men remained for relatively short periods in each ministry. This turnover from high-ranking members of the economic cabinet is an important feature of Chávez' government¹.

However, as Chávez continued to sustain his own power, new agents started occupying economic positions in the State public sector. This next generation's careers did not return to "business as usual". Their trajectories resembled that of their elders, but did not include life-long political militancy. Their similarity resides in their public education in national universities and, for some, professional specialization.

¹ The only notable exception being that of Ramírez as the president of the national oil company and minister of oil from 2004 to 2014.

3.2.1.2. *Sons of the revolution: the new generation of state functionaries under Hugo Chávez*

At the end of his interview, the national head of a multinational company, delivered his opinion on the different agents existing within the executive.

“I see there is a sector inside the government that I would call Madurismo. They are this group of young, vice-ministers loyal to [president] Maduro. They are conscious of the problem they are facing. They say to themselves, man, this has to be fixed”.

When we conducted our fieldwork, chavism had been in power for 15 years. It had survived the death of its historical leader. Furthermore, its ministers and vice-ministers no longer belonged exclusively to the first generation of chavists. Its permanence had attracted young men to the higher offices. They replicated the public education of their elders, but not necessarily the long-term political commitment. Ver and Por – which life stories we will now summarize – are of such men. They were both in their 40’s by the time of the interview. They had reached positions of power in 2010. Therefore their political lives had begun long after the founding of MBR-200 and Hugo Chávez’ 1990’s incarceration.

Interview with Por: the outskirts of the chavista civil service

Por had a career in the civil service prior to chavismo hold on power. Because he had the right credentials – a law degree from a low-status private university in Venezuela – and a relatively “middle class” background, he could adapt this career to the chavista hold on power. Por was born in 1971 in Caracas. His father was an engineer and his mother was a piano teacher. He studied in a religious, private, low-status high school in Caracas. He then studied law in a private low-status¹ university in Caracas from 1988 to 1993. In 1993, while working on a specialization degree in international, private law in a public university in Caracas, he started working for the legal

¹ The venezuelan high school system is divided into public High Schools and private High Schools. Until the 1950’s the most prestigious High schools were Public (Liceo Fermín toro for instance) BONILLA F., *The Failure of Elites*, *op. cit.* Although some private religious high schools were very renowned. From the 1960 onward, the prestige of public High schools declined. Nowadays the most prestigious This opposition, however, does not give relevance to socially selective high school institutions. These High schools

department of the Minister of Commerce and Industry. He stayed there until 1997. He was then hired by one of the subsidiaries of the National Petroleum Holding until 2000. From 2000 to 2003, he worked as general director for the Ministry of Production and Commerce. He left after the coup d'état because he felt the administration had become too politicized. In 2003, he also concluded a law PhD he had started in 1998 in a national public university and was hired as a legal consultant at the National Council for the Promotion of Investments (CONAPRI). That institution was created in the 1990's to promote direct foreign investment during the liberalization process of the 1990. It was a forum designed to connect major international companies with big national businesses and the state. Today it is the only forum where large international companies in Venezuela exchange reliable business information.

Between 2003 and 2008, he concluded a second PhD in political science at the same public university in Caracas. During this time, he taught classes in a private university and in the same public university. In 2010, he was hired as general director of CONAPRI. Although he does not work directly for the government he is the head of an organization thought of as a link between national and international capital and the state. He is neither the president of a business association nor does a company pay him directly. Two different executives recommended him when we asked them whom we should contact as a part of our sampling technique. Por is an odd member of this group of State functionaries, and his position is ambivalent because he sits at the head of an organization that is neither public, nor a business association. Even though it was created during the neoliberal era¹ and goes largely unused by the government, it is still a semi-public institution. He is an example of the porosity of the frontiers between the socialist state and the private economic sector. Despite this position, his case shows that the rising stars in the public sector did not necessarily perish under the chavista rule.

Interview with Ver: a mathematician fund manager.

Ver clinged to political positions through his family political networks. However, he himself did not have a long-term political militancy in the chavista movement. Nevertheless, he had a “middle class” background and a public education. This seemed to be central to accessing the chavista administration for this second generation of chavista civil servants. Ver was born in 1972 in in the

¹ Ellner and buxton

interior of the country. His father was a doctor and his mother an administrator for a local business. In 1990, he was accepted at a public university where he studied mathematics. He graduated in 1998. From 1999 to 2002, he concluded his master's degree while teaching at the university. From 2002 onward, he started a PhD in France that he never finished. He returned to Venezuela in 2004. From 2004 to 2010, he was a university teacher. During those years, he got close to the government via his family connections in his home state. In 2010, he was offered the presidency of the Venezuelan Foundation for Seismological Research. He escalated from this position and in 2011, and he was appointed vice-minister in the Ministry of Science and Technology. In 2013, he became secretary general of the Federal Council of Government and executive director of the Inter-Territorial Compensation Fund. The role of this fund is to send federal money to the mayors and governors. He also has an important capital to spend on national economic projects at the level of the communes¹. He manages a fund of between 3\$ billion and 600\$ million depending on the exchange rate.

Ver reached a position of relative power inside the system of public funds at a relatively young age, this despite his non-militant background. He defines himself as a socialist, nonetheless. He did not however hold any sizeable positions inside the party before reaching ministerial positions.

Ver and Por are the sons of Chavism's hold on Power. Having promoted a group of people that were left over from the fourth republic (public university alumni and the military), when they got to power, they had to select new personnel that would heretofore manage the public economic world. Chavez' long tenure in power opened the way for a new generation to obtain positions of authority. They were selected for more than just their long-term militancy. They were "naturally" co-opted by the new chavist State. The first generation of chavistas seems to have chosen from "their own" when promoting the newly chosen. This did not necessarily mean left wing militants, but public educated students willing to climb the hierarchical rungs of the Venezuelan bureaucracy.

¹ After his 2006 reelection, Chávez imagined a reorganization of the State in what he called a communal State. People belonged to *consejos comunales* (communal councils) of about 120 families elected for two years in. These councils aggregated into *consejos mancomunados* (mancomunated councils). These could have communal banks and desing local infrastructure projects. These then would further coalesce into a larger structure. These were to replace local government. Financing would be delivered for each project submitted to the central government. Chávez asked to implement this communal state into a referendum in 2008 that he lost. The communal system still exist and runs parallel to the local and regional structure of representation.

This information collected during semi-structured interviews was corroborated by several accounts collected during our fieldwork. We were able to teach a class on the topic of the economic elites in oil countries. At the end of the course, we received several term papers about people who had climbed to power in this way, mostly in the public sector. One of these students constructed a “reputational¹ list” on important public economic figures that have studied in the Universidad Central de Venezuela; thusly they had a university formation. He saw that most of the young recruits had a social science formation². Another paper showed that similar agents (in terms of their education and political affiliation) had important positions in the public telecommunication company.

Secondly, in our field journal, we wrote an anecdote about an electrician whom came to repair the dryer at our house. We started conversing with him and he said that this work had paid for his son’s higher education. He had studied in a low-status private university where he met a man who now is a minister. In addition, he obtained a law degree. He now works for that minister. Furthermore, he owns a “big car”, according to his father. His son was inserted in a path of political ascension thanks to his school’s personal connections.

Even if agents in our second sample lack the political trajectory of their elders, they were chosen by similar selection structures. Therefore, the chavistas in power seem to have changed the legitimate ways of reaching higher offices. Both Ver and Por consider that their success is due to their public, long-term educations in national institutions.

3.2.1.3. *State economic positions and structures of legitimate legitimacy in the public sector.*

As Ross Ben Schneider recommends in *Business Politics and the State in 20th Century Latin America*³, research on the state/business relationship should pay closer attention to the heterogeneities of the Latin American state agents. This recommendation mirrors Hertog’s

¹Using Hunter’s method HUNTER F., *Community Power Structure: A Study of Decision Makers*, Chapel Hill, NC, University of North Carolina Press, 1953.. In this method, one asks three informed actors to deliver a list of the most important businessmen. Then, one asks these three men as well as other 3 to grade them according to their importance. This gives an unbiased account of the most important agents in a delimited field.

² We are purposefully vague to respect anonymity clauses.

³ SCHNEIDER B.R., *Business Politics and the State in Twentieth-Century Latin America*, *op. cit.*

conclusion on the Saudi state¹. In Saudi Arabia, two worlds co-exist in the same bureaucratic order. A backward bureaucracy on the one hand, and a structure of oil technocrats that understand international markets and use them to their advantage on the other. Mirroring these authors conclusions on other geographical areas, in Venezuela, the uncoordinated state nests a multiplicity of agents with diverse formations and life stories.

However, it is striking to notice that despite their educational variety, these state agents resemble one another. Moreover, their resemblance is not only accounted for by indicating their proximity to the state. In our Venezuelan sample, they all obviously have worked for public or semi-public institutions under the Bolivarian revolution. In addition, all had either low-standard private, high school educations or public educations. They all had masters degrees obtained in Venezuela.

Agents in the public sector embody a duality that underlies the social space we will describe in this chapter. Not only have all of them been selected by the state, but these people all went through similar educational institutions. For them, selection by the state was – however important for their careers– a subsequent step within their personal trajectories.

3.2.1.3.1. A qualitative account of changes in high government spheres under Chavez.

From these interviews it would appear that Chavism did not bring the destitute masses to political positions of power. It – only – shifted the legitimizing proprieties needed to occupy state economic positions. We consider this transformation by comparing narratives from people in positions of power before and after Hugo Chavez’s presidency.

Both Ber and Poc, occupied major public economic positions during the fourth republic. Both gave us similar accounts. People occupying positions of responsibility in the public economic sector had to be previously legitimated in the economic world. The state chose people that had already been selected within their given professions.

A “career” led these people from the public sector to the private sector and to the public sector once more. As Poc put it, people in “his generation” first worked for the public sector, and then they got positions in the private sector. Finally, they could aspire to end their careers occupying prestigious positions in public sector companies. Ber described how he was nominated for an economic

¹ HERTOGE S., *Princes, Brokers, and Bureaucrats*, op. cit.

position. The president-elect, called him to hear his opinion on who should be nominated minister of oil. He proposed a man with “experience” in the sector. Because he had been the president of one of the most important banks in the country, the president-elect subsequently asked Ber to join his economic team. Which he did.

All this changed under Hugo Chávez’s presidency. Beginning in 2000, he started appointing new personnel in power positions in the public economic sector. He began this process with the national oil company *Petróleos de Venezuela, S.A. (PDVSA, Petroleum of Venezuela)*. Criticizing this way of operating, a famed Venezuelan consultant referred to one of these appointees as “bad news”, adding, “You don’t make a brigadier general out of a lieutenant”¹. Behind the “meritocratic” discourse, (new chavists were “unqualified”; which they partly were) there was really a shift in what kind of legitimacy was demanded in order to occupy those positions. The new men were allegiant to the cause. However, they usually were also people that either came from a military background, or that had a “typical” public education. Several Marxist economists, sociologists and mathematicians found themselves leading major state companies. Previously those positions were reserved for lawyers and classical economists. This transformation had a “managerial” consequence. Agents started occupying positions because they belonged to given chavist “sectors”. People securing economic positions belonged to the groups playing the complex game of chavist power distribution. This politicization came along with declines in productivity².

Again, we refer to the term papers written for the class we gave at the Central University of Venezuela. One of the students wrote about Caracas’ subway company (*C.A. Metro de Caracas*). This student used company documents that contained the biographies of the presidents of the subway (a public company). Then she coupled that with inside information. Presidents of that public company were all military personnel placed there by a former governor. This information should not obscure the importance of the shift in the legitimate characteristics demanded by the central state in order to occupy public economic positions. Not only were state agents politically allegiant, they also had similar educational backgrounds. Focusing on contacts within the state misses the fundamental transformation that took place in the chavist state. Returning to our interest of understanding how the “state” professional selection operates, we gather from this account that

¹<http://www.thefreelibrary.com/VENEZUELA+-+Hector+Ciavaldini,+PDVSA+President.-a058405835>
downstream trend dec 27, 1997

²Poc interview

it first select civil servants with a specific background. However, we will see that it also transfers economic resources to some businessmen. To study this second phenomenon, we will focus on the career of the state contractors in our sample.

3.2.2. State market: state contractor and rent seekers

“Doing business” with the state in Venezuela has an extremely negative social connotation. Therefore, economic agents try to minimize their deals during interviews. As a state contractor¹ replied when we asked him what it was like to make agreements with the state: “We don’t do business with the State, we serve public clients”. For that reason, it is complicated to evaluate which business people deal with public institutions when these activities are only sporadic. To tackle that empirical problem we will study the trajectories of economic agents that exclusively rely on economic partnerships with the state. Therefore, these are economic agents that may be extremely reliant on shifts in state power. We study their trajectories in order to understand state influence over their economic careers. In what follows we show that the “public economic sector” tends to select agents that already have been selected by a company’s internal recruitment process; or by owning their own company. The position of those that rose only with the help of the state tends to be fragile.

3.2.2.1. *Energy sector public/private business partnerships*

Executives in large firms contracting with the state are of particular interest in understanding the mechanisms through which the state “helps” economic agents. Big firms suppose at least some type of bureaucratic selection. The state contractors in our set only reached position that allow themselves to secure state contracts for their firms, after long-term bureaucratic selection processes inside and outside their companies. Thusly proving that state contracts are only partly influential in determining the success of these businessmen.

Interview with Ull: the social heir in an energy company

All during his career, Ull sold component needed in the energy industry to public clients. However, he used this skillset to raise through the ranks of the various companies for which he has worked. Selling to public clients, made sense because he could aspire to go up the chain of command. Ull’s father was a doctor in law in a European country (*Scoldavia*, for this account). After some years in

¹ Once again, vagueness allows me to protect my interviewees.

the university he first started working for some multinational companies before taking over the presidency of his father's –Ull grandfather – company; one of *Scoldavias*'s most important *agro-businesses*. He was born in 1965. He studied in an upper -Class private High school in *Scoldavia*. During this period, he was accepted – by way of an exchange program – in a boarding school in Scotland. He returned home to *Scoldavia* and studied industrial engineering there. He then obtained a Master's degree in environmental engineering. He started working for an NGO in Spain and was later hired by a company that produces turbine technology. In this new position, he was first sent to Africa then to India. In 1995, he was positioned in Kuala Lumpur where he gained a strong knowledge on the south Asian market. With the crisis of 1997, he went to Panama. In 1999, his company organized a joint venture with another partner, and he went to the corporate headquarters in Europe. He was asked to replace the person who was the former country-representative of the firm he now works for when that man's term ended. Ull is the country representative of an energy multinational that also deals with electrical engineering for transportation systems. He likes playing golf because of the contacts it provides.

We interviewed to other men in the energy sector with similar trajectories (Lea and Vic), however they were vice-presidents in the companies for which they worked¹. These men share two common traits, in addition to working for “public clients” in the energy sector. First, they come from distinguished backgrounds. Ull's father was highly educated and came from a family of wealth; Vic's father was an important builder during the “4th republic. Lea's father worked for the state as well, and had had a highly regarded cultural position in his own state. Second, all this translates into a first-rate lifestyle. With their geographic particularities, Ull, Vic and Lea all attended private and exclusive schools. In their careers, they all have occupied executive managerial positions. In addition, they attend prestigious social clubs.

Once more, in the careers of these economic elites, state connections came only at the last stage of a long educational and professional selection period. To rule over the companies that would secure state contacts, they had to be promoted by said companies. The state benefited the careers of these

¹ See Annex P-385-390

businessmen as long as they spearheaded companies that had already selected them. This limits the scope in the selection power that the State really has.

The Bolibourgeoisie and State contractors

During our fieldwork, we have often heard the commonly used invective, “those bolibourgeois” (“esos boliburgueses”); it is a common insult. It is now widely used, and in general uses a modified Marxist vocabulary to designate certain people who have successfully taken advantage of a supposedly socialist economy. State contractors are usually presented as “nouveaux-riche” profiteers. However, at least some of the contractors we interviewed were definitely not parvenu. We were able to see that they have privileged life styles, and they had had them for generations. Furthermore, they had had long careers in the private sector.

This echoes information that appears on a list of the companies that were given subsidized dollars by Cadivi between 2004 and 2012. It was published in 2014 amidst critiques from radical chavists. A former minister had denounced that 20 billion dollars had been stolen. Cadivi published these numbers to counter these claims. When Cadivi became Cencoex (National Foreign Commercial Center -Centro Nacional de Comercio Exterior-) this list was removed from Internet, but luckily, we saved a copy.

The list lacks certain data, and furthermore it was published for political reasons. However, we have strong reasons to believe that the information contained there, if not accurate, gives a fair depiction of the dollar attributions by the government to private companies. We were able to cross-reference this list with knowledgeable interviewees. It does not include dollars bought through the ALADI mechanism (Latin American Integration Association -Asociación Latinoamericana de Integración-). However, it gives a good idea of the magnitude of dollars attributed to private companies by the state when Chávez was alive.

Companies	\$	Cumul \$	%	Cumul %
General Motors	5 910 439 377	5 910 439 377	3,3	3,3
Iron Melter SIDOR	4 731 508 369	10 641 947 746	2,6	5,9
TELCEL (CELL PHONE COMPANY)	3 784 071 474	14 426 019 220	2,1	8,0
TOYOTA	2 958 628 451	17 384 647 671	1,6	9,6
FORD	2 622 141 870	20 006 789 541	1,5	11,1
CARGILL	2 012 237 681	22 019 027 222	1,1	12,2
CHRYSLER	1 973 764 842	23 992 792 064	1,1	13,3
CEREAL COMPANY (PROVENCESA)	1 898 316 767	25 891 108 831	1,1	14,3
AMERICAN AIRLINES	1 862 644 921	27 753 753 752	1,0	15,4
DIGITEL (CELL PHONE COMPANY)	1 848 880 390	29 602 634 142	1,0	16,4
NESTLE	1 728 466 235	31 331 100 377	1,0	17,4
CANTV (PHONE COMPANY)	1 665 035 431	32 996 135 808	0,9	18,3
CAR IMPORTER	1 663 784 397	34 659 920 205	0,9	19,2
PROCTER AND GAMBLE	1 465 620 158	36 125 540 363	0,8	20,0
MOVILNET (CELL PHONE COMPANY)	1 399 077 882	37 524 618 245	0,8	20,8
ABBOTT LABORATORIES	1 390 672 792	38 915 291 037	0,8	21,6

Table 3.1 Top 18 companies receiving dollars through Cadivi. Cadivi web page (closed)

Out of the top 18 companies, four are car multinational manufacturers, four are communication companies, and three are food importers. Except for DIGITEL and MOVILNET which are telecommunication companies, all these companies have had economic activity in Venezuela for at least 20 years prior to 2012. From 2004 to 2012, those companies received almost 40 billion subsidized dollars from Cadivi. This amounts to 20% of the total dollars attributed by Cadivi during that time span. Three of these companies were state owned (SIDOR, CANTV, MOVILNET).

This table argues for a re-understanding of the privileges granted by the state in oil countries. Most of these companies work with up-to-date technologies and operate on a global level. Its managers go through an internal selection process (education and within- company training) before even being able to bid for state contracts. Even in oil countries, the state's power to define the winners and losers in the economic realm should not be exaggerated.

3.2.2.2. *Political sociology of the fallen: elite displacement under Hugo Chávez*

“When they approved the 1999 constitution, the president called all the economic sectors to modify the laws, so that they could be adapted to the new constitution. During those years, I was in the national council for the merchant marine. I was representing the private sector, Fedecamaras. We worked for a year and a half. When we turned the law projects in, we realized that this was all a circus. They had

put it in place so that they could impose their own laws. I understood this and we decided to sell the company, my partner and I. We sold everything.”

Former-president of a shipping company. Board member of several companies.

“The year of the coup and the strike was a bad year. Credibility was lost. I usually say that this was the second phase in a succession of phases during which the country got a punch in the gut. These moments in time were defined by massive migrations. The first came when Chávez got to power. But back then not many people left. The second came with the oil strike, because of the impact it had on this oil country. That was a bad year. In 2002-2003, institutions lost their credibility. Among them was the most important institution in this country, PDVSA. The government was not too subtle in this matter, either. Chávez fired people with a whistle [on national television]¹. That constituted a fundamental break in the political model. [...] Afterwards came years [of extraordinary growth]. I refer to this period as ‘the party’. I always tell my friend that left, ‘ You missed the party. The economic party’”

CEO of a multinational company

State contractors are subjected to the fluctuations of public finances, which are particularly steep in oil countries. Furthermore, these oscillations are not necessarily linked to the oil price, as political transformation can also force contractors to a halt. The careers of the fallen state contractors shows what remains of one when he or she falls out of the government’s good hospices. Zooming in on their experiences, highlights the assets that state contractors garnered over their careers. It also displays how these capitals can be recycled if need be. Luckily for us, Chávez’ presidency sealed the fate of many business people that benefited from state contracts; and some that did not. We were able to contact three of these businessmen. However, far from disappearing from the economic world, these – now older – men survived the political transformation. These people prove that in oil countries, there is an economic life beyond the state, and they display what type of business strength remains after losing the state’s grace. However, their example is not

¹ Chávez replied to the oil strike with severity. In one of his TV shows, he publicly fired 15.000 strikers. He put a red hat on, read their names on a sheet of paper and whistled, “You’re out” (pa’ fuera).

universal. We were able to contact them because they had “survived”. We could not have contacted agents that disappeared entirely from the Venezuelan economic realm. All of these three men represent agents that decreased the scope of their state-linked businesses when chavism came to power. However they reoriented their activities in different ways.

Interview with Aqu: the European intermediary.

Aqu was a former banker, that worked as an intermediary for French companies to the Venezuelan State. All during his economic career he dealt with the signature of contracts with public sector officials. When Chávez rose to power he had the political flare to sponsor him from the beginning. However he could not concretize this proximity and was forced to go back to become an intermediary. Aqu was born in Central America in 1942 where he studied high school. He first studied law at a university in southern France and then passed the exam to enter the Parisian Institute for Political Science (Sciences Po) in 1962. During his formation, he got acquainted with people associated with the “third world” movement. There at school he met the politicians that would ultimately occupy political positions in the evaporating African colonies. From 1966 to 1970 he began working for the Italian bank for Latin America in Paris. During those years he brokered a deal for precious wood in Guinea Conakry. In 1970; then the bank sent him to their Venezuelan branch, the Banco Latino¹. As he described, the banking system in those years was “very primitive”. The following year he was promoted to general administrator for the west of the country. In 1973 he was hired in a competing bank for the same position and was promoted to the corporate level.

In 1976, and for the ensuing 10 years, Aqu was the head of an international investment bank in Venezuela. He accompanied French businessmen in Venezuela, and among his most important projects, he financed large infrastructures in subterranean communication. From 1990 onwards, he has worked as a consultant for the Caracas subway. For the 1998 election, he got close to the MVR and offered his office to the campaign. He thought he would be offered a seat in the national assembly but was replaced by a military official. He stays out of the political game now because

¹ The Banco latino was then bought by Pedro Tinoco and the Cisneros Family. It was popularly referred to as the bank of the twelve apostles. It rapidly expanded during the 1980s. In 1990 it was the most important institution in the banking system. In 1994, it went bankrupt. Its fall triggered the most important banking crisis in comparative terms the world has ever seen (60% of financial assets were affected)

“if you get into politics they behead you”. He brokers contracts between foreign companies and the subway. Aqu now works as an intermediary for European companies trying to win contracts in Venezuela. He plays tennis and had important administrative functions in the Venezuelan tennis association.

This economic intermediary had to force himself to political discretion in order to sustain his economic endeavors. Although the last years of the Chávez regime had not been the best of his career, he still was able to connect European businessmen with the socialist government.

Interview with Poc: the state industrialist in the banking system

Poc was a state sponsored industrialist. He had a career in the fomento state in his youth, which took him from the plastics industry to a public fund, to the aluminum industry. His exit from the state economic sector came before Hugo Chávez hold on power, but was cemented by it. He then transformed his career to work in advisories positions in the banking sector. He is the son of a Colombian storekeeper in Caracas, his mother was a housewife from a very renowned family. He was born in 1945. He went to high school in a private high-standard high school in Caracas and studied law in a private, high-status university and in a renowned public university. He started his working life as an employee for the finance ministry. From 1970 to 1978, he worked as a lawyer for companies in the plastics industries. He specialized in international negotiations. During Luis Herrera’s administration, thanks to his political connections, he was appointed president to the Investment fund of Venezuela (to the same position that Fid occupied in 2004). When he left the fund, he was appointed director of an aluminum melting company. During the 1990’s he opened a company that fabricated parts for cars. He exported up to 50 million dollars a year worth of merchandise. That sector of the industry was heavily protected. He had to close his business after Hugo Chávez opened Venezuela to the world economy following the country’s entrance in the World Trade Organization in 1995. In 1996, he was appointed as the president of a nationalized bank¹. He tried to sell it in priority to national capitalists, but they were not interested in buying. In 1997, he sold it unwillingly to a South American consortium². Since 2000, he has concentrated on

¹ During the 1994 crisis the banks that went bankrupt were nationalized and then sold. This process attracted foreign capitals who had not been present in the Venezuelan financial system since the 1929 financial crisis in catalinabanko and Crazut.

² In 2012 the ban kwas sold to one of the most proeminent « new bankers » in Venezuela.

corporate consulting for his lawyer's firm and sits in the board of a bank of medium importance. He is very critical of this government but also dislikes how the economic liberalization process was undertaken as it took him out of business.

Poc's case is interesting because his career in the industrial's arm of the Venezuelan state, led him to command large funds. These are, as we showed previously a fundamental part of this developmental system. This experience opened him the gates of the Venezuelan banking system, in which he now enjoys a comfortable position. When Chávez got to power, neither him, nor Aqu changed the sector in which they had specialized. Although this came at the cost of a reduced business activity, it also shows that their economic skillset was not only "rentier". They had just used it to "serve public clients" to retake Ull's expression.

Interview with Mal: the retired businessmen goes into politics

Mal was also a state sponsored industrialist. However, his career was different from that of the previous two fallen state contractors presented above. His long-term militancy (in unions, business associations and Christian democrats political parties), pushed into politics when Chávez got to power. He was born in 1946 in a State in western Venezuela. His father was a salesman of automotive replacement-parts business and was secretary of the chamber of commerce of his city¹. His mother studied in what he called a school for commerce that taught young ladies matters regarding home economics. His biography superposes his political career, his economic career, his professional career (first in the unions then in business associations) and his private life. Mal studied primary school in a private, high-standard international school in Caracas². He then went to a renowned public high school. In 1962, he received a scholarship from a multinational oil company to study in the Nautical School of Venezuela to become a merchant sailor. During those years, he felt political proximity to the communist regime of Cuba. He went there during his apprentice year in the nautical school, but he was disillusioned by his experience. In Venezuela he

¹ In Venezuela business are not mandatorily affiliated with the Chamber of commerce. These play the role of business associations and of Chambers of commerce, therefore it is a political position.

² Three kinds of High-Status school exist in Caracas. Religious institutions, and non-religious ones. In this group there are those who are given in a foreign language and those that are in Spanish.

started dating a girl from the Christian oriented, democratic party COPEI¹. He felt that this opened the doors of the party for him.

In 1963, the same oil company that gave him his scholarship hired him. He now worked with “their boats”. Once he was an employee he founded a sailors’ union of a western Venezuelan state. He was elected secretary of the union from 63 to 66. During a strike he was imprisoned but soon released and re-hired. In 1971, his political connections opened the doors of the newly founded Venezuelan Oil Corporation for him where he was hired as a captain. He claims to be the first captain of a Venezuelan oil tanker. He worked there until 1976; that year he was elected president of the officers of the merchant marine. During this period, he graduated in economics at low-status, private university. His brother-in-law was a friend of COPEI’s president – they played domino together. Via these family connections he got close to the party’s more technical apparatus and from there was integrated into the party’s financial operations.

From 1977 to 1976, he was promoted to marine administrator. However, his supervisor asked that he be moved to the eastern part of the country. He refused and resigned. In 1983, after the election of Luis Herrera to the presidency of Venezuela (1979-1984) he was appointed marine director to the Venezuelan Petroleum Corporation (La Corporación Venezolana del Petróleo, CVP). He worked there for two years. In 1985 he opened his own transport company with his brother-in-law. The first boat they bought was a Yugoslavian ship that had been used to send guns to Angola. It had been abandoned because the crew left it after it caught on fire. They bought it with a loan from a private bank. After opening his company, he started participating on the board of his business association (the association of the merchant marine). The company started transporting paper residues, but soon diversified and got important contracts with the State owned metal sector. Between 1997 and 2004 he unsuccessfully tried to seek election to the presidency on the most important national business association.

By 1999 he felt his company could not survive with Chávez in power and sold it. He kept a business presence in various boards. He shifted his career to the business associations. In 2002 he became secretary, then first secretary, then president of the commerce business association in 2008. He now sits as a representative for the private sector in the National Economy Council (Consejo

¹ One of the two parties that were powerful during the bi-partisan era.

Nacional de Economía)¹. The last two years he was asked to participate in COPEI because we was considered a conciliatory figure.

Mal's trajectory mixes his political, professional and personal life in such a clear way that it seems a caricature. Nevertheless, it shows that, despite the fact that all of these state contractors (Aqu, Poc and Mal) had political contacts, he was the only one to use them for a political career. Aqu unsuccessfully attempted to do the same. His career shows that state contractors are professional economic agents making deals with the state. And that their position rely as much on their ability to sort the professional selection that all other business elites have to face. It still does not clarify what a professional selection entails, but it shows that professional selection applies even to agents directly contracting with the state: to the "rentier elites" that the *cronyist* denounce.

3.2.2.2.1. The professional trajectories of state contractors

Aqu, Poc and Mal show the importance of professional selection in the trajectories of the business elites. They all made contracts with the government-led economic sector under the fourth republic. When chavism got to power, they saw the flow of their activities reduced. However, their connections with the government were only a part of these former state-contractors' trajectories, as was the case for our previous interviewees. Once their public activities shifted, they went on to new endeavors. Aqu was the one most dependent on state contracts. However, he decided to keep a low profile. He now still intercedes for private companies wanting to sell to public economic institutions. Poc preferred to seclude himself in the area of consulting. Although he has a strong presence in the board of a medium bank. Mal now sits on several medium-sized companies' boards of directors. He decided, however, to continue to build his political career, but in an opposition party.

However even prior to having access to the state, these agents were inserted in social selection structures that put them closer to occupying positions in the economic realm. Aqu had enough private funds to be sent to Europe. Poc came from a wealthy family in Caracas. Finally, Mal's father was extremely well connected politically in his home state. In terms of their education, both

¹ The council was created in 1946. It is a place where scholars, business representative and the State can discuss their differences. The government has a constitutional obligation of consultation before voting the budget. It is located in the central bank offices

Aqu and Poc studied in somewhat prestigious universities. They were both lawyers and they connected themselves with international public trading soon in their careers. Mal's education might appear at first to have been of a lower standard. However, he studied in a private, socially-selective Presbyterian school and in one of the most important public high schools in the country.

3.2.2.2. The *fomento* state's business elites

Ull, Lea, Vic, Aqu, Poc and Mal are examples of businessmen that came from a background of wealth and were able to multiply it with a little help from the State. This group of state contractors help us understanding one of the questions raised by the literature regarding the role of the state in wealth accumulation.

These men share a second trait that has a direct connection with our uncoordinated state model. All of these agents linked themselves to the developmental, industrial state. All of them embarked in long-term industrial and commercial projects with public-sector companies although they came from different economic areas. Some came from the oil sector, others from the iron-ore industry or the energy plants. However, all worked for companies that demanded up-to-date technology and industrial planning. Interestingly, some of them had personal professional experience with the banking sector.

Some of the agents that connect themselves directly to the state do so through industrial plans and massive infrastructure projects. Perhaps this is so because massive investments are filtered through the *fomento* state. Going back to the table 3.1 big companies received a considerable portion of the available subsidized dollars. In this case they have been protected by the developmental state.

We cannot generalize these findings, but the case of Willmer Ruperti (not one of our interviewees) fits this working hypothesis of a men sponsored by the foment state under Hugo Chávez. He was one of the prominent faces of the infamous *bolibourgeoisie*. At the height of his economic power, his fortune was rumored to scrape the billion-dollar mark¹.

We heard about him from two interviewees. One of them had been his teacher and his close friend; the other was a knowledgeable journalist. The first told us that he had begun his career through one of the classical routes, that is the merchant marine. He studied in the national school for the merchant marine. He then became Capitan of a ship. Finally, he opened his own shipping company.

¹http://www.poderopedia.org/ve/personas/Wilmer_Ruperti#tab_perfil

During the 2002-03 oil strike, he bet on the Chávez government. Having experience in oil shipping, one day he moved some PDVSA tankers from the Maracaibo bay. Strikers had placed them there to block oil envoys into the country. He himself paid for the first oil cargos into the country – PDVSA’s books had been destroyed.

The second interviewee that mentioned him told us that as a reward, Chávez gave Ruperti a 10-year contract for shipping the country’s oil. He traded his contract in the parallel-dollar market in the Caracas stock exchange. He thusly was able to repay his investment 6 months after. Then he diversified his investment and bought a TV station on government orders. This man’s life story closely resembles Mal’s. Even if we account for the generational difference. Because of their personal connections with the state, both got right of entry to the governmental – or semi-public – contracts. This allowed them to cover the prior investments they had used to open their own firms. This type of private agent with public connections is therefore not simply a consequence of Chávez’s hold on power. It is rather the result of an institutional scaffolding. It channels massive public investments into the public industrial system. In this context, some men can rapidly accumulate wealth. This is magnified in contexts of political directionality of public funds.

This is not to deny that small companies grew exponentially under Hugo Chávez. We have only presented agents that made money within the industrial structure of the oil state. This account is partial. We can strengthen it by presenting a third group of businessmen we interviewed. They were medium-size business owners that expanded their businesses by siphoning subsidized dollars (see table 3.1). They imported most of the materials they needed and assembled them in the country to make finished products. However, as they “tricked” their way into economic wealth, these small companies show how dependent they were on state funds for their expansion.

3.2.2.3. Public sector profiteers: the case of Beurk CO₂

“Don’t be surprised if [medium companies with state contacts] that made money [now turn against Hugo Chávez]. They doubled their installations. They augmented their capital. They enlarged their warehouses. They now have four or five more trucks. They have larger savings accounts abroad. They are stronger. Don’t be

surprised if they say we will vote against Chávez. [Because] they think that there are no guarantees. If Chávez wins in 2012, they will be afraid all the time. There's nothing worse than a businessman that is perpetually afraid."

Economic Journalist.

"I don't care who governs. I want full shelves. I want security. Now I pity both sides. Whoever guarantees full shelves and security will have my vote. Right now shelves are empty, there is not (even any) f#### paper toilet. This scarcity is unbearable. I don't care who solves this problem. If he solved it, I would give my life for him. I want quality of life. I don't have a political affiliation."

State contractor, imports subsidized parts and builds them,
former business leader of pro-government business association.

The problem with the study of "state profiteers" is that they do not have long-term economic strategies. They are a volatile bunch. Moreover, since it is likely that they may have embarked on semi-legal activities, they are reluctant to talk. This type of endeavors reveals a second way of using the state as a rung for professional selection; the first one being concluding large contracts with the state. State profiteers occupy niche positions in the public economic sector. However, when their niche vanished, their companies go with them. Both the agents in this category belonged to the same company. For anonymity reasons we will call it *Beurk CO₂*. We first met them in a product presentation in the Caracas' military officers club while we were trying to access the president of a chavist business association.

We rapidly interviewed Fad –one of the associates¹. It took us a couple of years to finally secure an interview with Urb, the manager. Although we happened upon this company by chance, it represents a segment of the state economic sector. Both were small to medium businessmen that connected to the state and benefited from petrodollar's largesse. Even if we do not have the means to measure their importance, this qualitative account can at least posit that they do exist. Political discourses largely exaggerate or undermine their real weight. However, academic accounts on this subject can do nothing but describe how state affiliation helped their careers.

¹ See biographical details in Annex P-385-390

Interview with Urb: the rentier underdog

Urb¹ is the son of a cleaning lady. He never met his father who was a registrar in one of the boroughs of the center of Caracas. He was born in 1954 in Caracas. He studied in a renowned public high school in the center of Caracas. He was accepted in a private, low-status university. There he obtained a diploma in Business Administration. Once he left the university he was hired by a tobacco company where he climbed positions to achieve a middle-management position in commercialization. In the 1990, he won an important distribution contract with the same tobacco company with which he had been working. This contract allowed him to create his own distribution company and become its president. In 2000 when his distribution contract ended, he knitted close ties with government officials and started importing generic drugs with subsidized dollars. From 2008 onward, when the government restricted its dollar distribution, he helped to create a chavist business association. That year he opened the beurb CO₂Company. His business model rests on having access to subsidized dollars. The restriction in the flux of State dollars later forced him out of business.

These two men Fad and Urb exemplify an idealized concept of a new generation of businessmen that benefited personally from their access to subsidized dollars. So, first of all we can affirm that “their type” exists. Both Fad and Urb came from humble backgrounds. Neither of them went through prestigious education institutions. Fad was the president of a small company and Urb never occupied more than a middle management position in a tobacco company. Although Urb had an important distribution contract in the 1990’s, it was not renewed. Both of these businessmen multiplied their assets through personal contacts with the chavist government. However, because they relied too much on the state, they never fully belonged to an elite world. Compared with Aqu, Mal or Poc, they were dependent on government subsidies to keep their companies open. Once the flow of dollars scaled down, their companies did not survive. Furthermore they had scant professional contacts to use to reorient their business.

¹From the cadivi list in table 4.1 we now he received almost 21 million \$ in State subsidized dollars from 2004-2012

These businessmen are those interviewees for whom an *entrée* in the government had the most important consequences for their economic careers during the chavist era. Without gaining this entrance in the chavist administration, they probably would not have expanded as they did.

3.2.3. Coding#1 State selection: educating the business elites in the public economic sector

The trajectories of these agents working – or that worked – in the public economic sector, clarify what a “state connection” is. That is, how the “state” participates in the professional selection of the business elites. It helps agents in two ways. First, it serves civil servants by putting them in economic positions in the public sector. Either, in junior positions at an earlier stage or in public funds – or regulatory agencies – executive positions. Secondly, it helps state contractors by awarding them with public connections to consolidate their economic career.

However, the state professional filter, only adds to a first-step, educational selection; as is true of other forms of professional selection. Education can be divided into types as well. The first echelon of this cluster of types is the kind of academic degree the person has, such as secondary schooling, university level, and graduate education. Each of these subcategories has a set of different values associated with it. Secondary education is either public or low-status private, high-status private or foreign education. University is either public, low status private, high status private or international. Graduate education is divided into MBAs, national graduate education, and foreign graduate degrees. Finally, diplomas for engineers, lawyers and economists have some important differences.

Allow us to close with a note on the restricted account of the state-driven selection process, reproduced by too many on the Venezuela case. First, some accounts reduce personal economic expansion with particularistic affiliations with one political clan. We might say, generically that “Carlos”, made money because he is “Francisco’s man”¹. These narratives miss the underlying phenomena that explain social selection. As we saw from our examination of the contractors, state discretionarily can only choose from a restricted group of businessmen. Therefore, the state can affect economic elites’ own selection structures by acting upon it. Thusly state action can

¹ Names here are hypothetical generic examples.

“arbitrarily” promote second or third level businessmen – within a given social structure –to superior economic positions. However, as the Beurk H₂O example shows, even in this case, they had twenty or thirty years’ experience in the private sector when the state financed them.

Secondly, this appreciation of the state contractors unveils a large structure of professional selection that we now wish to explore. Next to the state, the business associations and the corporate formal and informal rules filter the business elites. By examining agents in the state economic sector, we see that the public sphere is but one of the many rungs on which business elites can step to reach power positions in oil-driven Venezuelan economy.

3.3. The career of the business representatives: institutional scaffolding of a professional ladder.

“First I was speaker of the chamber [of industrialists and miners of Guyana]. Then I became director. Then I was elected vice-president. After being vice president, I was the director for four years. During those years as president, I started an eight-year position at CONINDUSTRIA’s board. I was then elected vice president, then president of the metal working business association. That was the most important sectorial association. That association is AIMM (Industrial association of Miners and Metalworkers). From AIMM, I went to the FEDEAMARAS’ (Federation of Business associations) board for the mining sector. In FEDECAMARAS, I have been secretary, vice-president and president. [...] Upstarts don’t become presidents of FEDECAMARAS.”

Former President of FEDECAMARA

Business associations are the second type of professional filter we found in interviews. Even if they are systematically overlooked in analyses of the Venezuelan private sector. Fedecamaras’ presidents and board members, so the argument goes, play second-level roles in the economic world. Big businesses prefer direct contact with state officials¹. This is not a new narrative. In his

¹Interview with an economist in multilateral bank.

1975 PhD on business associations in Venezuela, Robert Bond¹ criticized this already existing limited view. He argued that authors downplayed the importance of Fedecamaras' board because of a miscalculation. Almost half of their members (21 out of 39) of the 100 most important economic figures in the country were included in a 1963 list elaborated by CENDES (Center for the study of development)². Moreover, 37 of the 39 board members had at least a university education. Bond suggested that FEDECAMARAS was an organization ruled by people in elite position with remarkable political influence. This was the case back in the 1970's.

This narrative still exists today. However, chavism truly diminished the power of Fedecamaras. Even so, business elites still recognize its members. During our fieldwork, the president of the major encompassing business association was regularly mentioned as a person we should interview in our snowballing sample question. Furthermore, the former president, the current president and the soon-to-be elected president of Fedecamaras were invited to the Jira Hara event³. It is clear that even with diminished powers, Fedecamaras' representatives still play an important role in the Venezuelan private sector.

We interviewed seven people exclusively because they had an active role in the world of business associations. These men demonstrate the importance of professional, private-sector selection in the economic world⁴, although most analyses of Venezuela neglect this aspect. To close that gap, we will show the existence of an institutionally-framed, hierarchical career in the world of private-sector representation. The new presentation of these people's careers will be different from the previous one. Having demonstrated that these careers intermingle with multiple selection structures we will now focus on particular elements. First, we will present business leaders' institutionally framed careers. Then we will show that this structure selects agents with trajectories that are restricted to extremely narrow areas *i.e.* specialized business elites.

¹ BOND R.D., *Business associations and interest politics in Venezuela: the Fedecamaras and the determination of national economic policies*, Dissertation for the degree of Doctor Of philosophy in political Science, Vanderbilt University, Nashville Tennessee, 1975, p. 153-159.

² BONILLA F., *The Failure of Elites*, *op. cit.*

³ The Jira Hara event is a three-day seminar where important people from the political, the economic realm, the media and the cultural world meet to discuss on Venezuelan matters.

⁴ BAUER M. et B. BERTIN-MOUROT, *Les 200: comment devient-on un grand patron?*, *op. cit.* ; GODECHOT O., « Le capital humain et les incitations sont-ils les deux mamelles des salaires dans la finance? », *op. cit.*

3.3.1. The ambivalent uniformity of the business associations' institutionally framed hierarchic careers

3.3.1.1. *A history of the presidential/business association relationships under chavista government*

Chavez when in power used several symbolic dates to reassert his messages. One of these dates is February 27, the “*Caracazo*”. During Carlos Andrés Pérez presidency in 1989, in response to a rise in transport prizes (resulting from a drop in oil subsidies) several passengers in a Caracas suburb staged protests¹. The confrontations escalated very rapidly and so did the number of dissidents. By that afternoon thousands protesters begun looting the capital. The following day, hunger riots spread all over the city. Authorities decided to impose a curfew, and ensuing military repression was harsh. Deaths mounted to the hundreds according to the most conservative estimates. Political narrative later built on these demonstrations as the sign of an anti-neoliberal response.

Remembering that February 27th date, in the midst of a severe economic situation and facing massive demonstrations, Maduro called for a meeting with the most powerful executives and business association leaders on the evening of January 26, 2014. This news would overshadow the scheduled memorials of the “popular rebellion” that were due to be held the next day. The presidency called the meeting “the economic roundtable for peace” (*conferencia económica de paz*). It constituted a staged event that gathered together Venezuelan private and public economic powers. The president was present together with one of three Venezuela’s billionaires. He gave a speech. Also present were the presidents of Fedecamaras² (*Federación de camaras de Comercio e Industria de Venezuela* – Federation of business associations) and Fedeindustria (*Federación de industrias* – Federation of small and medium industries). The first, is an anti-chavist leaning business association, the latter is chavist. Both presidents spoke that night. This meeting was far from insignificant. It had been 12 years since a chavist president had held public talks with a Fedecamaras’ president. The organization had survived the 2002 power grab, and after 12 years of official distance, it was once again publicly accepted as an existing partner in economic matters.

¹ MAYA M.L., « The Venezuelan Caracazo of 1989: popular protest and institutional weakness », *op. cit.* ; VÁSQUEZ LEZAMA P., « El Caracazo (1989) y la tragedia (1999): Economía moral e instrumentalización política del saqueo en Venezuela », *op. cit.*

² See Annex for a short presentation of the business association pyramidal structure P396-398

This was the last of the major meeting that the Chavist governments had called for since Hugo Chávez had won the presidency in 1998. Oil prices are good predictor of Chávez’ or Maduro’s sympathy towards the private sector’s institutional representatives. Whenever they have been high – when the state had financial autonomy – these relationships were inexistent. Whenever they fell, government began to notice these organizations. The state’s reluctance is evident in the lag between price declines and the beginning of negotiations. Figure 3.1 shows the average OPEC basket price (\$/Barrel) from 1999 to 2015. Blue arrows represent moments when the government opened institutional channels of discussion with the private sector.

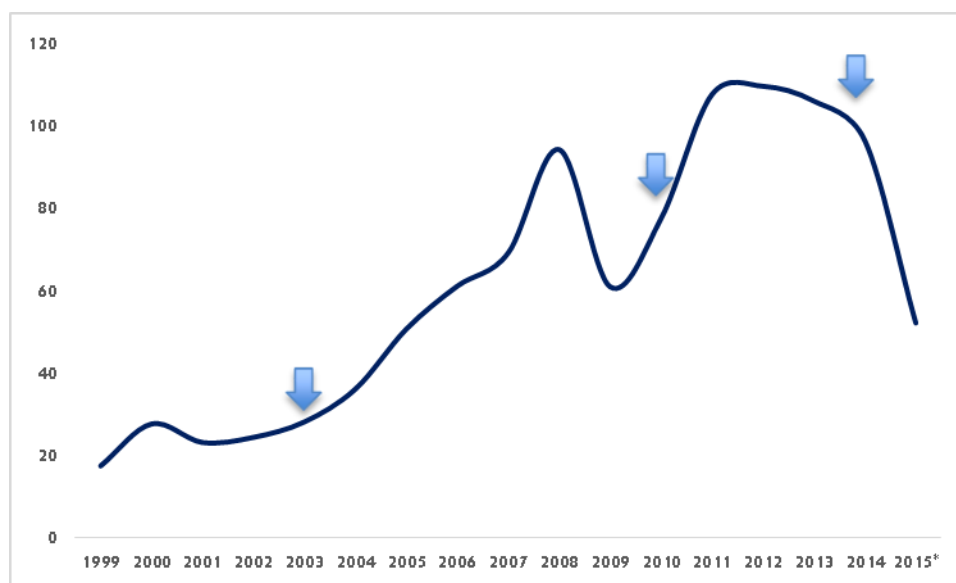


Figure 3.1 Public meeting with fedecamaras and Opec yearly average prices (\$/barrel) 1999-2015 source: statista.com

Prior to the 2002 attempted coup d’état, governmental ministries had institutional relationships with the private sector. During our interviews, several former state officials said that they coordinated international negotiations with the private sector’s representatives¹. Business representative accompanied executive committees in their trips. Chávez’ first relationship with the private sector was cordial. As a consequence of the political instability of the time (2002-2003), Jorge Giordani – one of Chávez economic ministers – called for an “economic constituent

¹Por interview and Vel interview

assembly” in 2003¹. This, as a business association leader told us, “ended in nothing because oil prices rose”².

Beginning in 2005, the government had first tried to create new business associations (EMPREEN and a Bolivarian Rancher’s Association). These associations were never recognized as legitimate representatives of the private sector. As these options had failed, by 2009 government officials opened “technical” roundups to solve pressing economic problems. These were systematically used from 2010 by Chávez’ government. He reopened negotiations after the oil prices’ decline that followed the 2009 world-financial crisis. However, instead of inviting the encompassing associations, the government privileged talks with sectorial associations. These associations were mostly affiliated to CONINDUSTRIA. Board members sent trusted men to oversee those discussions. Therefore, even if members of encompassing associations were excluded, they found a way to weigh in on the discussions.

Beginning in 2010 the government institutionalized this one problem one meeting approach to solving pressing economic matters³. This strategy of dialogue meetings (“mesas de diálogos”) was systematic during our fieldwork. “Dialogue meetings” were opened to discuss such diverse topics as the renegotiations of a law regarding shopping malls or repayment plans for airlines. To give an example, we were not able to contact the president of the banking association because our contact told us he was very busy. He was working on a presidential committee on banking reform. Therefore, from 2010 onward low-level sectorial talks started to become commonplace. The government privileged these meetings to avoid more global discussions about “the economic model”.

In 2014, however, this strategy was deepened, and public meetings were held with encompassing business associations. Both government sympathizers and business associations’ affiliates criticized these meetings⁴ even though leading figures in both sides pushed for them. Although they did not bring immediate results, they marked a significant change in public/private relationships.

“Upstarts don’t become presidents of Fedecamaras”: the long-term selection of business representatives

¹ Interview Lar

² Ibid

³ Interview Pev

⁴ Interview Lar and interview Rog interview Saa.

To understand the “typical” business association’s career we will study the aggregated trajectories of the seven agents we included in our sample, purely for their participation in business associations. All these people were recommended to us by businessmen. All seven of them studied in private, socially-selective high schools. The only one that did not led a Chavist business association. However, that is the only similarity they share. Four studied in public universities in Venezuela. The other three graduated from public universities. Four are executives in Venezuelan companies, and three own their companies. Similarly, in terms of the number of employees, these agents are evenly divided between small, medium and large companies.

	Education				Private trajectory				Social	
	High school	University	Diploma	Career	State contracto	Sector	Owners	Size	Politics	Clubs
Arc	High-Status private	High-Status private	Ingeneer	Family-owned	No link	Commerce	Few stockholders	M	Center	0
Her	High-Status private	High-Status public	Economy	Corporation	Contractor	Industry	Few stockholders	S	Business	High Status new
Lar	High-Status private	High-Status public	Economy	Corporation	ocassional partner	Agriculture	Multiple owners	L	Right	High Status Old
Pea	Low-Status	High-Status public	Ingeneer	Family-owned	Contractor	Industry	Few stockholders	S	Left	0
Pev	High-Status private	High-Status public	Political Science	Corporation	No link	Commerce	Few stockholders	S	Center	No Club
Rog	High-Status private	High-Status private	Ingeneer	Family-owned	ocassional partner	Industry	Few stockholders	M	Business	No Club
Saa	High-Status private	High-Status private	Ingeneer	Corporation	No link	Commerce	Multiple owners	M	No position	High Status New

Table 3.2 Social Properties of agents in business associations.

The “typical career” in the business associations is a professional filter that follows the pyramidal structure of the business association¹. To understand this concept of the typical career in business associations we will show that both anti-chavist and chavist leaders in business associations, climbed their hierarchical structure in a process spanning over 20 years.

¹ See Annex P396-398

Interview with Rog: the left-wing senator, melting industrialist, President of a business association

After buying a considerable stock of his company, Rog became president at a relatively young age. This allowed him to invest in his career in the business associations. Rog is a leading figure in the business association. His father – a Spanish immigrant – worked for a major industrial company in Venezuela. From there he escalated up to middle management positions. His employee's salary paid for Rog's education in a socially selective high school in Caracas. Rog then was accepted in a private university. He was a good tennis player and was offered a sport's scholarship in the United States, but he suffered an injury at age 21 and lost it. He then worked for the Venezuelan tennis association.

At 23, he began his business life in a company that helped companies agree on reciprocal representation contracts. Two years later, together with some friends, he bought the rights to develop the Dunking Donut franchise in the country, but the enterprise failed. Subsequently, he found work in an American-owned metal melting company in a management position in eastern Venezuela. After working there for a year, he launched a hostile acquisition bid against that firm (which did not really oppose the bid). This cemented him at age 27 at the head of his own metal working company.

From that position, he entered the Guyana miners' and industrialists' association. There he was successively spokesmen, member of the board, vice-president and president. During those years, he was sent to Conindustria's board to represent the mining sector. He then became board member, then vice-president and finally president of AIMM (Asociación de Industriales Metalúrgicos y de Minería – Business association of Metal Workers and Miners). From that position he sat at the Fedecamara's board.

However, he interrupted his business-association career to embark on a political adventure. He sympathized with Guyana state's left-wing party, Causa R. From 1994 until 1999, he was an elected representative in the lower chamber of the parliament. There he presided over the committee on culture and was president of the Causa R group at the parliament.

When the revolution took over, he recovered his Fedecamaras' career. He sat first on fedecamaras' board. In 2010 at a Fedecamaras congress on the Island of Margarita, Noel Alvarez¹ ran for his reelection as president of this organization. This is extremely rare, and Jorge Botti² challenged and

¹ President of Fedecamaras from 2009-2011

² President of Fedecamaras from 2011-2013

defeated him. Rog was his running vice-president. “Naturally” after Jorge Botti finished his two-year term, he then occupied the president’s office for the 2013-2015 term. In Fedecamaras he participated in the first public meeting between the private sector and the socialist executive power. Rog reached the highest office in the business association, despite his strange profile and thanks to a major internal political struggle. Nevertheless, he could be considered for the job because he had a long-term trajectory in the business association. This, however, is not an exclusive feature of anti-chavist business associations.

Interview with Pea: the progressive, small-business leader representative

Despite his relatively more humble background, Pea, also used his position in his family’s company to embark in a career in the business associations. However, he chose to represent the small industrial companies where he thought he could have more influence. This proved to be a correct assessment. Pea is the son of a Spanish soldier with a specialization in radio operations, who immigrated to Venezuela in the 1960’s. He first worked for a TV station. He then opened a company linked to the gas industry. Pea was born in a state in eastern Venezuela. He studied in a low- status private high school, and went on to study engineering in a regional public university. He worked for a year for a tubing constructor. He then returned to his family’s business (gas). There he created a sectorial association (Conigas: gas carburation association). This position opened the gates for him to occupy a position in his home state’s branch of Fedecamaras. He stayed there for a year. He left because he did not like “the hypocrisy” of the organization. He found a place in a small and medium industries association (Fedeindustria) of his home state. He stayed there for 6 years, and went on to become the president of that association. This allowed him to climb to the board of Fedeindustria. He was then elected vice president of that organization, and in 2001, he was elected president with a “progressive agenda”. This ideological position allowed him some proximity with the national executive power, and consequently was invited as the Chavist representative of the business sector during the summit meeting that reunited the government and Fedecamaras in 2014.

Rog’s and Pea’s trajectories present the same characteristics. To occupy leading positions in business associations, these people must “climb up” the hierarchical and institutional structure. The usefulness of these two executives for our study is that they rapidly occupied leading positions in their firms. Since their professional careers froze at an early age, they are good examples of agents

in careers to top business associations positions. This career is framed by a set of interlinked institutional selection structures.

The members first occupy board positions in local or sectorial associations. Then they occupy board positions in somewhat larger business associations. From there they climb to the most important business associations. These steps can last for six years (two years by position). People in Fedecamaras have usually extremely long careers in corporate politics. For instance, Pea, the “Chavist” business leader; had been in Fedeindustria’s directorial staff for six years before Hugo Chávez won the presidential election.

This imposition of long careers also requires business leaders to sustain long careers in the private sector. Therefore, the typical business association career also demands a continuous presence in the economic realm. Positions in business associations are pro-bono. Therefore, people that embark in these careers must have an economic position that remunerates them sufficiently so that they can finance their expenses. Not only must his peers elect him or her as a business leader all along several extensive electoral trajectories. They must also have a long and “successful” careers in the private sector. However, the importance of professional “cooptation” is systematically overlooked in the studies of the trajectories of economic elites in Latin America.

3.3.2. Professional selection in the business world.

“When you say “businessman”, I take the freedom to understand that he is a “businessman” from family and tradition. I don’t think of a guy that started with four trucks and received a contract from PDVSA to distribute food and who is now a millionaire.”

CEO of a telecom company

Literature on Latin-American elites has systematically omitted the importance of the professional trajectories of economic elites. The typical path-approach tries to find the pivotal moment in their careers. However, as this sub-sample suggests, positions of power in the economic world depend on agents’ survival skills. In the particular case of business association leaders, it is a condition *sine qua non* to progress in the associations. We will study this symbiotic connection through the analysis of the careers of two men with important positions. Her and Lar.

Interview with Lar: the agribusiness executive

Lar's business association and his professional career were interdependent. His rise in the private sector's purely managerial positions accompanied his gradual climb in the *cámaras* – business associations. His example is particularly interesting because he is the son of the CEO of a savings-and-loan bank in a city close to Caracas. His father previously was an important executive at a paper-manufacturing industry associated with the money-manager of the Venezuelan dictator in the 1930's, Juan Vicente Gómez. From that position, his father came also to occupy the presidency of the industrialists' business association of his home state.

Lar studied in a private catholic high school. He then obtained a degree in economics in a public university. Then he was accepted in an MBA program in an American university.

When he returned to Venezuela in 1983, he was hired at a middle management position in an agricultural and industrial complex. He climbed positions and by 1997 he was vice president of the company. He joined the company headquarters that same year. He has since occupied various executive positions. In 1983, Lar joined the industrialists' association of his home state; the same his father had presided. He then was elected president of that organization. From the presidency, he was sent as his state's representative to Conindustrias' board. He then climbed the Conindustria ladder and became president for four years. Out of this office, he became a Venezuelan representative in the Latin-American industry association (AILA)

Even if Lar was the American-educated son of a business insider in his home state, his career demanded a professional screening process. His associative presence shines the spotlight on this social imposition: his representative career rested on his professional advancement. His professional advancement demanded he be a successful manager. Although this agent certainly displays the qualities of a thriving businessman, we are not making any functionalist defense of these qualities. We only argue that, paraphrasing Bourdieu and St Martin¹, if he had not been doing well he would not have occupied such positions. This manager that operates in two spheres of action shows that professional selection is central in understanding the careers of the economic elites in Venezuela.

¹ Le Patronat Bourdieu st martin

Interview with HER: the oil-lawyer

HER's trajectory demonstrates a second consequence of these long trajectories. As with all of these agents with business-association careers, he studied in a private high school. He was raised in western Venezuela, and then studied economics in a public university in his home state. He begun his career in the banking sector. He had important managerial positions for 18 years. During the 1994 financial crisis his bank failed. Then he found a job in another bank and afterward secured a position in a construction company for the oil industry. He worked there for 15 years, and then founded his own company which he now runs.

From his account of his experiences, we understand that the 1994 crisis implied a severe biographical rupture for this man. However, from his business association involvement, we also understand that he had always had a specialization in oil-related businesses. He began his career in his home-state, oil-sector association (Oil Business association). There he was the representative of the banking sector in the regional association (one of the many sectors that sit on the board of the association). In 1994, in spite of the crisis, his associations careers did not come to a halt. In 1994, he simply switched his hat and sat in the association as an oil builder representative (another of the sectors represented in the Oil association). From that position, he was able to occupy the vice-presidency of the association. Then he occupied the presidency. This allowed him to involve himself in the national oil association's board. From there he sat for four years as vice president, and two years as president. As the president of the National Oil Association (Cámara Petrolera de Venezuela), he has a seat on Fedecamara's board.

Both Lea and Her not only had long careers in the business associations, they also had careers in extremely focalized sectors. A former shipman clarified this point by using a comparison. "Politicians have an ample vision; a broad horizon. We come from different economic sectors. Therefore, we have a narrower perspective. [...] When I left the *boats* [the maritime transportation sector], I had been there for 30 years. My world was [maritime] shipping"¹. Returning to our interviewees, Lea worked for almost 15 years in a high-density wood company. HER specialized in oil law for all of his career. Not only do economic elites have long careers, they specialize in economic sectors.

¹ Interview Lar.

3.3.3. Professional screening and institutional selection: structural rigging for specialized economic agents

Out of this analysis we find four possible types of affiliations to business associations. First, there are those that imply participation in sectorial associations. Secondly, we can name those that require a presence in the all-encompassing associations' boards. Finally, there are those that include holding office in all-encompassing associations or Fedecamaras. Presidents of all-encompassing associations usually attend Fedecamaras' board meetings. Although it would be tempting to contrast chavist and anti-government associations, we find that these three dimensions are useful in both cases.

These analyses of the trajectories of the agents in business associations reveal two important aspects of elite selection. The first one is empirical in nature. In Venezuela, business association leaders undertake a long careers framed by the institutional structure of the representatives' world. Going beyond this empirical finding, these careers clarify a second topic. These long trajectories simplify the task of a particular type of executive: this system gives a structural advantage to particular agents. On the one hand, they must be able to climb hierarchical positions in the economic world, either by proving to be satisfactory executives in a national corporation, or by becoming the president of their companies. On the other hand, this demands that they commit to sectorial careers.

This empirical observation is central for understanding the theoretical literature on elite selection. Agents become economic elites by undertaking long careers. Therefore, on the one hand, when academic analysts concentrate on pivotal moments in these people's lives, they miss the long-term screening that leads to positions of power. On the other side, this has implications for a more systematic study on elite selection. Long careers usually imply over-specialization. Therefore, professional screening implies two social processes: first, access to power positions, and secondly, familiarity with the informal rules of the business world. Both processes are connected by a feedback loop. The skill sets that are required for senior hierarchical positions are usually available for agents that have knowledge of the informal rules of the game. Formal positions are good places for absorbing informal rules.

The careers of the business representatives only skims the surface of the more complex world of professional elite-selection. Although the business association career is – next to the selection by the state – one filter operating the professional selection of the business elites, we can go further in our analysis: we still need to delve into the careers of a last sub-group of economic elites. We will now consider the trajectories of the professional managers. We label as “managers” two different categories: a) all those that either created their own businesses – either because they come from old families or not or b) those who “manage” either multinational or national corporations.

3.4. Informal skills and formal pathways in the corporate career

The fundamental difference [between the continuation of dynasties and advancement through education] lies in [the latter's] statistical logic. The former allows for a direct transmission of ownership whereby the owner himself designates his heir. The advancement through the education model rests on the statistical aggregation of individual – as well as collective – agents' isolated actions. They are subject to the laws of the educational market. This will assure resources for the class as a whole, but this model implies that some of its members, taken separately, will be denied wealth. Schooling can only contribute to the reproduction of the dominant class if it sacrifices some individuals who otherwise would be preserved if the family had a complete power of transmission.

Bourdieu & St martin Le patronat p. 25

My father was a salesman. Nobody in his generation graduated from any college whatsoever. Eugenio Mendoza didn't graduate. My father didn't graduate. They barely finished high school. And some of them never went to high school at all. It was another era. Today everybody goes to college.

Hell Personal interview.

3.4.1. Professional selection processes in the economic realm.

We now insist on the professional selection structures that filter economic elites by focusing on the careers of the manager in the private sector. Franck Bonilla and the Cendes team had already noted the importance of this professional selection in the 1960's. According to him, in 1970, two main features characterized the typical Venezuelan "business career"¹. First, it was "stable, uniform and secure". Within the economic world, business elites had a foreseeable future of wealth. On the other hand, the economic world was the only one where hereditary positions mattered. The political

¹Bonilla *el fracaso de las élites. Op.cit.* p 116

and the cultural world most dominant men came from most humble backgrounds. In the business world, family connections were determinant. This account was true until the mid-20th century.

Today, as we have seen, economic elites still can have long-term careers. However, taken by themselves, last names are insufficient to understand selection. Today's economic elites go through a professional screening. Modern Venezuelan elites need to transform heredity into professional legitimacy. For example, Hell is the owner and current manager of an inherited family business; he told us that family businesses were “professionalizing”¹. As he declared, being an heir was not enough. Stockowners need to be obliging, and they have to accept that if someone was “skillful”, that person will be put in charge of the company. Hell was referring to a larger story. Agents with impeccable family credentials only have a fighting chance. Ancestry does not constitute the life security it once did.

We now seek to deconstruct the supposed link between economic inheritance and economic dominance to better understand it. This link supposes that the son of a powerful mogul will necessarily become one, too. In this way, the importance of professional selection-structures becomes apparent. Our demonstration rests on a *reductio ad absurdum*. We posit that inheritance, coupled with the right education and some family support should result in economic power. To see if that proposition stands up we will concentrate on the trajectories of two family scions who didn't achieve total success. These are people that have ticked all the “right boxes”, but their inability to survive – after accumulating various positions of power – shows the nature of the selection of the economic elites in Venezuela. Having access to a required skillset, and understanding the informal rules of the game are only useful if the agents can translate all this into positions of economic power.

Interview with Men: the captain of industry without an army

Men's life story is similar to that of Hel². His trajectory shows that despite the best personal assets, business elites, need to remain in executive position to thrive in the economic world. Men is the son of a Venezuelan economically well-off family with a long history. His grandfather was the administrator of the English Caracas' electric tramway in the 19th century. His father was a major industrialist. His father did not obtain a high school degree, however; having contracted typhus in

¹ Interview Hell

² See Hel biographical details in the Annex P.385-390

his teens, he never returned to the Caracas' French-school where he had begun his studies. His father started working from a young age and became one of the major industrialists in the country. He also had ministerial positions and created a private university.

Men studied in a private Jesuit high school in Caracas. He spent two years abroad in the United States during his high school years, and planned to study in a private university in Venezuela where he was accepted. However, a series of "strikes" threatened to slow down his career. He therefore went back to the United States. There he studied management. As soon as he came back, he was put in charge of a family cement factory. A year later, he was called to the headquarters of his father's holding, and from there he escalated to executive positions. When his father died in 1979, he was called to head the holding. In 1983, he lived his first major crisis and envisaged a strategy of internationalization. Unfortunately, the 1994 banking crisis swept his group away. First, his bank went bankrupt, and then the group sold the cement business to a Mexican group. He reoriented his activities to the charitable foundations. Also, he now imports cars for a Japanese brand. During his career, he obtained an MBA from a Swiss University specialized in "families in business". He also participated on the Fedecamaras' Board. His distinguished background allowed him to like playing polo.

We might at this point claim "*quod erat demonstrandum*". Hel and Men are both heirs. Both their parents had the advantage of name-recognition in the Caracas business community. Both their parents had personal connections with government officials. Both had a high-status high school education in Caracas; they both coincided in having had years abroad in the USA. They studied in prestigious American institutions during their high schools as well as their college years. Both were rapidly placed at the heads of their families' companies and from there they obtained positions in sectorial business associations and major boards in the financial and industrial sectors. They are as close as one can get to an idealized, educated, oligarchic descent in Caracas. However, both saw the accent to power falter in the 1990's.

Hell and Men were victims of the "market": a process of professional elite screening in the private sector. We might say they were rejected – at an advanced point in their careers – despite having "perfect" biographies. This is so because being an heir is not enough. To remain a business-sector, leading-firm-director, agents must undergo a process of "continual professional screening". In this process, however, going to the proper schools and having good family connections are strong

weapons to muster. However, they are but shortcuts within a larger frame that is professional selection. The business-association selection, and a the cooptation in the public economic sector, introduced earlier are but two of these private-sector, endogenous selection structures.

We have already proven the great importance of education, state connections and private institutional scrutiny for understanding how an agent becomes an economic elite. We will now study a second set of characteristics. This segment will focus on how agents sustain positions of power in the economic realm. In order to do so we will consider which are the prevalent, private-sector, professional selection-structures. For that, we will concentrate on the career of two separate groups of economic agents in Venezuela. First, we will consider the economic heirs. Secondly, we will consider the managers' careers. We define managers as agents ruling over companies that they either created personally, or that others created and they manage. These two categories may coincide, but we have separated them because they distinguish two selection processes. On the one hand, we have an "informal" selection. On the other, there are bureaucratic mechanisms of institutional selection.

3.4.2. The informal acquisition of social capital and market rules: inheritance in an oil country

“ Interviewer: How did you become involved with the business sector in Venezuela?

Answer: In the easiest way possible. I inherited. My father was a business founder. I am a second-generation businessman in my branch.

Interview Arc

In a famous article, O'Donnell¹ defined Latin American polyarchies as having two sets of institutions. The first were formalized elections that although intermittent were nonetheless institutional procedures; the second was an “informal, permanent and generalized” institution called clientelism. This “complete institutional [formal and informal] package” characterizes democracies in the continent. This is a fair critique of the literature about consolidating democracies. Too little attention has been paid, however, to the most common political practices in Latin America². Despite being fair, O'Donnell's acute argument has a fundamental flaw: it is very common; very few strands in social life do not combine formal and informal institutionalized practices³.

This paradigm is valid for studying the Venezuelan business world. Heirs in managerial positions are extremely helpful cases for assessing informal rules. They have inherited a social pedigree, and in addition, they are acquainted with the workings of the business ladder that are implicit in corporate hierarchies. This makes them very acceptable subjects for accounting for the effect of the non-institutional selection processes.

Here we will use the careers of three types of “heirs” to showcase the importance of what we will refer to as “informal” selection structures. Informal structures are socially accepted. They are by no means secretive; however, we use this expression to separate them from “institutional” selection structures. We will study the latter in the next segment.

¹ O'DONNELL G., « Ilusiones sobre la consolidación », *Nueva sociedad*, 1996, vol. 144, p. 70-89.

² COMBES H., « ¿ Dónde estamos con el estudio del clientelismo? », *Desacatos*, 2011, n° 36, p. 13-32.

³ On how clientelism knits with modern institutions see BRIQUET J.-L. et F. SAWICKI (dir.), *Le clientélisme politique dans les sociétés contemporaines*, Presses universitaires de France, 1998 ; AUYERO J., *La política de los pobres: Las prácticas clientelistas del peronismo*, Buenos Aires, Ediciones Manantial, 2001 ; COMBES H. et G. VOMMARO, « II. Les acteurs du clientélisme », *Repères*, 2015, p. 29-42.

In our account, we posit that “informal” selection structures allow agents to acquire a professional skillset. In our sample, the most important of these proved to be having access to a social capital (having the right contacts) and understanding economic competition (knowing the rules of the game).

3.4.2.1. Informal acquisition of a managerial skillset

“He was lucky. The shop owner let him sleep in the grocery store. That way he saved money. And well...his mattress was made of cardboard boxes. He lay there. He spent three years sleeping like that to save as much as he could. When it got cold, he got closer to the refrigerator’s motor.”

[...]

“My dad was very conscious of the importance of education. That’s perhaps because neither he nor his brother finished high school. Well, he did not scrimp on our education. My brother graduated as an architect [from a prestigious public university]. I did in banking and finance [in a prestigious private university].”

Interview Dag.

Economic selection is a multilayered process, and it does help to come from a family with capital. In Dag’s case his father insisted that his sons attend university – instead of suffering the hardship he himself had to face; in general it is evident that having ones’ father’s business to fall back on can be helpful. However, it is not automatic that biological inheritance authorizes the sons of great fathers to replicate their parent’s economic power. Social reproduction, takes a more complex form, particularly in the Venezuelan case. The economic context forces incumbents to face systematic economic competition from the state as well as from “newcomers”. In that situation, young scions have to reassert their social value. This process is vastly enhanced by their grasping of the required economic skillset. In order to clarify these informal practices we will concentrate on the careers of two men that inherited their companies. This in turn will allow us to focus on the most salient aspects of informal dealings. Sos and Gia trajectories share striking similarities. They both took classes in American schools. Both rapidly occupied managerial positions in their families’ companies. And, fundamentally, both their trajectories begin with their fathers’ accomplishments.

Interview with Sos: reshaping father's company

We will first consider Sos. In the 1950's his father founded the company he now presides. His first business focused on developing residential housing (*urbanizaciones*) for the urban middle classes. In addition to his builder's career, Sos' father had a trajectory in the financial sector. In this field, he created an insurance company. He used this position as a trampoline to engage in a political career in which he became minister of finance, ambassador to the USA and member of the negotiators team of the Pacto andino (Andean pact- a supranational free-trade agreement). Because of his father's position, Sos, studied high school in Washington. Then he was accepted into a private university in Venezuela. He finished his university course at age 23. His first job as an engineer led him to construct new buildings for the Universidad Metropolitana where he had studied. He worked there for ten years. From his first experience, at age 26 he took over his father's company. In that position, he rapidly became a chief engineer of the headquarters of this university project. In the presidency of that company, he opted out of the housing market. He decided to invest in specialized constructions for the industrial sector. There he was a sub-contractor for major international groups. From the mid-2000's he moved his company's focus to personal promotion (building and selling residential as well as vacation apartments). He also successfully embarked on an international endeavor in the Caribbean. He sits in the board of several companies in the insurance sector and in specialized components for the construction branch. He likes horse-related sports such as equitation and rodeo. Which shows that he has become accustomed to the finer pleasures in life.

Sos career illustrates the intricate structure that we call family reproduction. We must however pay attention to the particular characteristics of Sos' ascendancy. First, although he studied in private, high-status, high schools and universities, he did not immediately go to work for his father's firm. He had a three-year period of professional experience on his own, and only then, he took over his inherited company. However, from that position he realized that the company's main branch did not allow for reasonable profits. He then decided to reach for specialized markets. When Chávez came to power, he decided it was necessary to internationalize. His career of dynasty maintenance connects with professional training and an adaptation to specific economic conditions.

Interview with Gia: Expanding a family business

Gia trajectory is similar in many ways to that of Sos. He is the son of a family of Italian descent. His father and uncle opened a car-batteries manufactory in 1955. He studied in a high-status, Presbyterian, bilingual school in Caracas. This allowed him to enroll at the Rensselaer Polytechnic Institute in New York. He graduated as an industrial engineer by the age of 21. He immediately started working for the family's company, which now was in its thirteen year. When he began, the company had 50 employees.

He knew all the “partners” – they were his family. This position allowed him to have a general vision of the company. This encompassing specialization led him to higher managerial positions. He also accompanied the expansion of the company that now has around 1500 workers. Up to the 2000's, the company also had a branch in Colombia and exported to 10 countries. Sadly, for him, during Chávez final illness, his company was intervened and almost nationalized. He took over the company in 1988 after working there for 20 years. Since the beginning of his career, he has always maintained positions in the industrial business associations. He enjoys golf, thus proving his liking of finer sporting activities.

Despite them being legatees, their biological inheritance does not explain their careers. Their hereditary status secured them economic positions in their parents' firms. Both received an “informal” training that proved to be essential to – at least justify – their presence as heads of the company. However, their careers did not end with their occupancy of the presidency of these companies. From that point on, they had to sustain positions of power on their own. Their life stories unfold, however, following two very different sets of career strategies. First, just as Hell had, Sos gained professional experience in other companies. This helped him “understand the business”; this was a central comparative advantage. Second, both Men and Gia were rapidly assimilated into their family's companies. However, Gia did not occupy the presidency for twenty years, and then, once he became president, he had to face the adversities of the Venezuelan economy.

The men's informal training marked the divergent paths that each took. For Sos it meant an acquisition of “social capital”¹. Economic elites forge economic and personal connections that they

¹Multiple ways to define social capital see cousin et al.

use to reinforce their power within their own companies' sector. This experience also translated into a concrete skillset that differentiated him from others. Those contacts led him to work and build for the industrial sector. Gia received a different form of informal training. His long tenure in the company helped him understand how the industry worked as a whole. His affiliation with the business associations further consolidated his knowledge. His long career allowed him to understand both his company and the major constraints of the sector in which he operated. This second type of training helped him face "market forces" in a context of major instability.

We will now scrutinize these two distinct informal skills. First, we will consider the role social capital plays in the selection of the economic elites. Secondly, we will evaluate the importance of market familiarity with regard to the trajectory of the economic elites. Social capital and a grasp of the market result in the acquisition of particular skillsets. To sum up, we argue that an economic elite position is sustained, on one hand, by having access to a variety of business partners and on the other by understanding the "rules of the game".

3.4.2.2. Professional training: social capital to ease the glide

As several business leaders have told us, successful businessmen in the country need to have economic networks of relationships. This is not exclusive to the Venezuelan economy, however, in that country it is a central characteristic. Agents in the economic sector develop a series of strategies to enhance their list of personal contacts. As the president of a multinational company told us, "I play golf for the relationships it brings me"¹. Here we will focus on the way personal connections – "social capital"² – can positively influence an agent's career to elitedom.

The careers of Nd and Blo³ are instances of agents that used their family positions as social capital to consolidate themselves in the economic world. Both come from well-known families. They rule over their grandfathers' companies, but technically did not really inherit economic capital; that is, they did not receive the companies as a birthright. We will explain this soon. Family for them was – among other factors – a set of social connections.

¹ Interview Ull

²On social capital see el tipo este de lille

³ Blo biographical details are to be found in the annex P385-390

Interview with Nd: the educated heir in a family bank.

Nd's was the grandson of the owner of the bank in which he is a leading executive. However, his father had not work in the company. He did not receive it directly from the hand of his forbearer. This exclusive position eased his rise. He studied in a private Caracas high school. He then was accepted into a prestigious private university. He wrote his undergraduate dissertation about the banking system. It was a comparative work (Chile and Venezuela) on the effect of the introduction of foreign banking on the domestic financial structure. In the 1990's, the Venezuelan government was thinking about opening banking market to foreign investment. It happened, however, that the financial crisis of 1994 intervened, and foreign banks took over large parts of the financial sector. Out of college, he first worked in one of the family's interests that dealt with transporting money. He obtained the position of assistant to the treasurer and to the vice president. He worked there for three years and was promoted to manager of the Caracas branch of the money-transport company. From that position, he subsequently occupied the vice-presidency of finance of the company. He then became the vice president of administration and was called on to sit on the board of directors of this transportation firm. During those first years, he also sat on the board of directors of the Venezuelan concessionary of an American postal company.

In 2001, he left all these positions in order to obtain an MBA at an American university. While studying there, he was invited by the Venezuelan manager of a Canadian bank to work for a year in a trainee internship program in Toronto. After this North American experience he came back to Venezuela to occupy the vice-president position in the family's banking company. First he directed the vice-presidency of banking and then of commercial banking. He was promoted to the board of directors of one of the groups' insurance companies. From that position he secured another MBA specialized in "families in business" at an American university. Then he became the managing director of the international bank of this financial holding. He likes to eat and to play golf.

Both Blo and Nd trajectories "skipped a generation", that is, they were not exactly direct heirs. However, they were part of the family: they took positions in their grandfathers' companies. This sub-group is fundamental for understanding the particular role of social capital in the careers of the economic elites. In this case, heredity has effects with regard to the influence of social capital on an agent's career. In this example, social capital served two distinct purposes. First, it allowed Blo to access wealthy investors. A "normal" 25 years old can hardly muster enough capital to buy himself a position in a company. (Although as the reader may remember, Rog used the same

strategy to secure himself a president's position at a similar age). In Nd's case, it allowed him to access an optimal position from which he could advance up his family's company ladder. His first job was as an assistant to the presidency. This training position gave him important experience in his field. However, he still had to conclude an MBA and a trainee program before he could aspire to vice-presidential positions. Overall, it took him 12 years before accessing upper management positions (equivalent to vice president). It took him another 10 years before he could occupy managing director positions (CEO). His social capital put him onto a track that eased his rise, but he still had to advance on his own merits.

Social capital helped both Nd and Blo because it put them in positions that allowed them to survive during long-term careers in the economic world. As we know from the examples of the business associations careers, longevity plays an important role in elite selection. However, if endurance is central, this is so because economic elites have to face a second set of informal challenges: a survival condition for them is their ability to master the rules of the game. Economic elites must acquire an in-depth practical knowledge of the market in which they install themselves. This, we argue, is another mode of informal selection for the economic elites.

3.4.2.3. *The market: Understanding the informal rules of the game*

“In Venezuela, just like everywhere else, if you know your market half of your job is done”

Interview Aqu

“In 1994 I was [the vice president] of a Bank in bad financial health. I managed to pass the compensation with six billion bolivars in liabilities (40 million \$)¹. I passed it.

Compare me with the people in this example: they had a new bank. They were very arrogant. All their ads said they had the best educated managers in the banking

¹ The compensation chamber of the central bank regulates the amount of liquidities a bank must have. In this case, he was 6 billion bolivars short. According to Asdrúbal Batista the exchange rate for 1994 was 148.94 Bs/\$. To give an approximate he was 40.000.000 \$ short.

system. That they all came from Harvard, MIT and Stanford. It was the *Waraira* bank¹. They only lasted five months. The day the bank “fell” (“*se cayó*”) they had 700 million bolivars in liabilities in the compensation chamber (\$4 million). I survived a liability of six billion bolivars (\$40 million). I was happy that I did. But, why did I? (He mimics a phone with his hand.) Because I call you. Eduardo, see I have six thousand in liabilities. How much can you lend me? And he answers back I can lend you three thousand. Then you have to insist. Do you know anybody else who has money? Can you call him for me?

Then you tell them, thank you very much. Let’s have dinner tomorrow. Or you don’t have dinner. You have some whiskeys. When you are drinking whiskeys with him the man tells you. I took you out of that mess. How much is there for me? [...] Of course, you will pay the interests at the inter-banking exchange rate. If he is really nice, he will not charge you extra. But most do. “0.5%” of three thousands (approximately \$100.000) is not that bad of a deal.”

Interview with Gag

As a former business association president recognized with certain misgiving: in Venezuela, to “*know who*” is more important than to “*know how*”². His sighing denoted his acknowledgment of a structural feature of the Venezuelan private sector: a continual screening process. Understanding the informal rules of the business world is more important than mastering technological skills. This however is not exclusive of the Venezuelan private sector. Furthermore, it is exaggerated to state that the Venezuelan economic elites do not work with technology. As the CEO of a hi-tech company told us, technological advancements get to Venezuela with a delay of two years; but they get there³. However, it is true that familiarity with the markets favors the careers of the elites to be. Here we will focus on the careers of two men that lay bare the importance of an informal training in the Venezuelan market; it is indispensable for sustaining positions of power in the economic sector. Both Lel and Dag took their companies from their fathers’ hands. However, when they started presiding over them, they were modest companies. Under their direction and thanks to their acquired skillsets, the companies flourished.

¹ The name has been changed for anonymity reasons.

² Interview Arc

³ Interview Dip

Interview with Dag: consolidating a retail company

Dag's father was a poor, Portuguese grocery- store employee. He came from Portugal when he was 17 years old. His cousin paid for his trip to the country. He spent three years sleeping in the store. In this way he saved enough money to buy a small shop of his own. The only one he could buy was in bankruptcy. Dag's father rapidly put it to work and sold it. With the money from that transaction, he and his cousin bought another store. After 7 years in the market, he and his cousin sold this new shop, and he bought a new super market in the east of Caracas. He opened it in a rapidly expanding middle class neighborhood. Then he paid for a passage for his two brothers (Dag's uncles) to come to help him. They opened the store in 1969. Dag's father had a strategy not offered by other supermarkets: it was the comparative advantage of delivering orders received by telephone.

Dag's personal trajectory begins with his father's example, so much so that the present-day company headquarters of the family has a "museum". In it, the bike on which the father delivered his first products is proudly displayed.

However, Dag did not take over his father's company immediately after the university. He studied in a high-status, private high school. Then he graduated in banking and finance in a private university in Caracas. Once out of the university, he was hired by a bank. There he worked in middle-management positions. His brother graduated as an architect and founded his own architectural firm. Both had five years experience in the private sector before they took over the company. There they learned how to "wake-up early". In his narrative he said that those years helped him understand the codes of the business world in Venezuela. As Dag told us, he used to help his father close the shop. He was used to the inner workings of a medium-size grocery store. He and his brother took high management positions in the grocery store in the late 1980's. There they assumed two strategies. First, they initiated a process of company professionalization. To do so, they divided the store into sectors (butchery, fishery, fruits and vegetables, etc.) as they had learned "in class". Then they promoted the "best" employees as managers in each of these sectors. This professionalization paved the way for their second strategy, an expansion. They bought a second store in the la Trinidad neighborhood, a rapidly expanding middle class neighborhood. They invested there, on the recommendation of one of Dag' business partners from his banking years. This man was a real-estate promoter. He was looking for a supermarket owner in order to install in

his new construction project. He and his brother opened the first shop in February 1989, just days before the Caracazo¹. Although they feared for their life –they didn’t sleep in their apartment those nights –, their supermarket were not looted.

All during the 1990’s, they continued this expansion by professionalizing their business. Before their venture, the supermarket sector was not thought of as a legitimate career-path in Venezuela. They continued their expansion during the Chávez years. By 2009, they abruptly began to feel the consequences of massive merchandise shortages. Their target went from the premium consumers to the lower middle class consumerist classes.

Dag likes triathlons and enjoys biking on Sunday in Caracas.

In our analysis we can observe how Dag retook his father’s company. He now manages it with his brother. His brother occupied important positions in the regional supermarket business association. And Dag did the same in the world supermarket association. It is true that he partly “learned the business” by helping his father late at night, however, he acquired most of the needed skillset to expand the company from both his university education and his private-sector long-term experience.

Despite the first appearance of a direct, personal heritage, Dag’s position to elitedom was much more dependent on his long-term embeddedness in the Venezuelan market than it was on his father’s last name. His high-status, Venezuelan education put him in positions that eased his integration and subsequently his rise. This “schooled” way to understanding the minutia of the business world put him in a fighting position. Dag resumed this position with a joke: “I listen to my advisors. However, they have been telling me for twenty years that this country was coming to an end, and it hasn’t”². He means that formal knowledge was important. However, it is only useful to the ones that have “grasped how the country worked”.

Interview with Lel: defeating multinationals with a family owned business

Lel presents a similar example. He now presides over a catering company that was co-owned by his father and a business partner. However, it was not until Lel took over the company that it

¹ See explanation in p 158

²Interview Dag

expanded. His knowledge of the catering business helped him prevent his fall, as we shall see presently.

He is the son of a Canadian lawyer. His father spent three years in Caracas in the 1970's. There he enrolled his son in at a high-status, Caracas high school. Additionally he invested in the catering company of a friend of his. Lel finished his studies in Canada. He was then accepted into a hotel school in Switzerland. His first job was in a hotel in Hong Kong. In 1989, he worked in the Dominican Republic. There he bought, refurbished and resold failing hotels with some friends. After three years in the Caribbean, his father asked him to check on his Venezuelan firm. It was a relatively "small" company at the time (400 employees). His involvement with the Venezuelan company was gradual. First, he divided his time between Venezuela and the Dominican Republic. He then stayed permanently in Venezuela and slowly took over the company. He benefited from the lack of interested progeny of one of the major stockholders to buy himself a sizeable stock of shares.

Once in the presidency he had to face competition in the Venezuelan market. During the 1990's, his four competitors were two national companies and two major international companies. The international companies sought to buy his firm, but he did not want to sell. They reacted by massively reducing their prices. Lel could counter this strategy for two different reasons. First, he had "worked in other countries". He knew from that experience what these companies' strategies were. They either tried to "buy you, or to destroy you". Eliminating competitors opens market shares, and the money they lose in the short run (by reducing their margins) is later balanced by the profits they make by expanding their supply. According to Lel, they could engage in such practices because they had money, and liquidity bought them time. From his experience, however, he knew that this tactic might not be successful, first because Venezuela was a "country of inflation". A strategy based on reduced margins was less likely to work. The second reason was that their long-term strategy was to dominate other companies by passing deals with low prices. Once they had managed that, they would renegotiate both the contracts and the margins. However, "the Venezuelan" does not like that type of approach. The business world in Venezuela likes contracts to be respected, as he told us.

This first dissatisfaction from local companies with the way those multinationals operated opened new markets for Lel's company. What facilitated his success was that both of the companies that were challenging him bankrupted. Their financial strategy proved to be unsustainable in the long

term. After 12 years, they had to sell their businesses. Lel's company took over their best employees and their contracts. Now his company has over 1800 employees.

He plays golf and is particularly connected with the French business world in Venezuela.

Once again, Lel's career in the Venezuelan business sector rested on what he did with the position that he obtained hereditarily. This was not a determinant factor; because his father's original company was small. He survived, on the one hand because he anticipated his competitors' mistakes and acted accordingly. On the other hand, his survival strategy helped Lel to buy himself a reputation in the Venezuelan business world. This position was further reinforced by his competitors' attitude. The more they lost clients for what were interpreted as misdoings by other businessmen, the more he captured "renowned" contracts.

Lel's and Dag's careers are similar. Both are heirs. Both inherited their companies. Both had a high-status education, even if Lel's background was more based on an international university experience. However, in the examples of these two men, their climb to positions of recognition in the economic world rested less on a directly acquired skillset received from their fathers. Rather they obtained "practical" knowledge through both formal and informal education. Education in selective universities put them in positions that helped them grasp the Venezuela's informal market rules. Dag did so by working in the financial sector and having a large investors' list of contacts. Lel's know-how came from facing down multinationals in various settings and understanding their strategies.

3.4.2.3.1. Skillsets and formal positions of power

Up to this point, we have analyzed certain executives' acquisition of informal mechanisms to sustain their power. On the one hand, as we showed in this segment, the longer they were able to survive in Venezuelan markets, the more they become acquainted with the informal rules of the game. This acquisition is fundamental for an agent to preserve his position within a process of continual screening. However, to succeed in the economic world, an agent must adapt his knowledge of the workings of the Venezuelan economic world and transform it into a recognizable position of power in said world.

Much attention is paid to the importance of informal skillsets in the business world. However, informal knowledge is by itself useless for someone that is neither the president nor an important executive within a company. To exemplify this proposition, let us consider the example of Ms Ho's¹. Ms Ho is a field researcher in the field of finance. She has conducted a qualitative fieldwork on the topic of the high spheres of the economic world in a way that is similar to our own work. However, neither Ho nor we have in consequence reached a position of power in the economic world, and we have not been asked to join these people. Despite our understanding of the informal rules, we could hardly be considered as potential economic elites.

A formal presence in the business world is thusly mandatory to muster strength. Interestingly, this formal or institutional selection is often overlooked. This is so because it appears to be a self-evident tautology that people with economic power occupy power positions in the economic world. However, as we saw, long-term careers in specialized sectors designate elite's positions within the social structure. Therefore, institutional selection structures are central for assessing the fundamental variables that make sense of this continual screening and selection that allows for multiple types of careers.

¹ Ho K., *Liquidated: an ethnography of Wall Street*, Durham, Duke University Press, 2009.

3.4.3. A machine for structural equivalence: The institutional career of a professional manager

“In the German Company [where I worked before], I even oversaw a production line. This was the first time I had to manage products and losses (“P&L”¹). That was my first experience understanding how a business worked. [...] Then I came to work for *Delphos*. [...]

I got there as a commercial director. Then I became commercial director for a section of the industry. Then I was in charge as the commercial director of a line of products. Then I managed a region. In 2000, I was appointed country manager.

Dip

Between 2000 and 2006, I occupied several positions in my current company. Those were my first experiences in management. I started managing 50 people [...]. Then they asked me to introduce an American brand in a European country. In 2006, they gave me the general direction for [Eastern Europe] of that brand. [...] That was my first experience with a whole business. I oversaw the accounting [which constitutes the bulk] of managing a business. Then they offered me the direction of a geographical zone. [...] This is when I took the managing direction positions for the Arabic world.”

Cla

3.4.3.1. *The institutional managerial ladder*

The typical-path approach’s most important flaw is that it overlooks the importance of purely institutional – formal – selection processes in the business world. By arguing which variables are more important in order to occupy power positions, this perspective does not account for the system in which these variables make sense. Instead, it posits that the variables themselves constitute a sufficient explanation. This means for instance that if certain authors² find economic elites to be

¹ Sic in the Spanish transcript

² CAMP R., *Mexico’s Mandarins*, op. cit. ; ZIEGLER S. et V. GESSAGHI (dir.), *Formación de las élites. Investigaciones y debates en Argentina, Brasil y Francia*, op. cit.

foreign educated, they will argue that foreign education is central. Usually they expand this perspective to say that “foreign” is an explanation in itself, and that whatever comes for abroad has an intrinsic value. From a critical stance, however, foreign education or state connections only fully make sense in a system of interacting agents with given social characteristics. Historical legacies are not operational until they are linked with social structures. In the Venezuelan case, institutional positions are fundamental.

To gauge the importance of these institutional selection structures let us first present the careers of Naz and Vol. Both come from extremely different backgrounds. In his left wing militant youth, Naz handed out flyers denouncing the power of Vol’s family. However, they both went through similar trajectories to access positions of power in the economic world. Both transformed a foreign education into professional training and then into institutional pathways to the top.

Interview with Naz: the technology manager

To conclude this qualitative account we will not go into further detail into the life stories of the agents in this subsample. Naz’s trajectory depicts an agent that transformed an academic trajectory into a business career. During his youth, he studied in a private school in Venezuela. In those years his father died and his family faced economic hardship. Simultaneously, he entered a left wing party. He combined his educational preparation (high school and university) with participation in presidential campaigns. He worked in the propaganda department.

He graduated from a public university in mathematics. He received a governmental scholarship to study his master’s degree in computer science in a prestigious West- Coast American University. There he shared cubicles with some of the most important Silicon Valley CEO’s-to-be. He obtained his PhD as well. After his PhD, he was accepted into an East-Coast prestigious university as a teacher in computer science.

However, he did not want to engage in an academic career. He used his position to get into a famous laboratory where he gained professional experience in the business world. With some of his colleagues, he founded a start-up company for the storage of massive amounts of data. There he occupied the position of vice-president of research and development. He oversaw his first IPO (Initial Public Offering: helped the company “go public”). From that position, he was hired by a

software company. Then he found job at a cable company. Both of these jobs where in upper management positions.

Between 1999 and 2003, he opened a cell phone company in Venezuela with a group of friends. It was the first company to operate under the chavist deregulation law for the telecommunications sector¹. As he told us, each of his partners had invested 1 million dollars in 1999. They sold the company for \$250 million four years later. From that experience, he then occupied leading executive positions in cell phone companies in the Caribbean and the United States.

He still participates in the Venezuelan business world by financing young entrepreneurs and artists.

Naz' trajectory is misleading. Yes, an international career paved the way that led him to the presidency of a Venezuelan company. However, the internationality of his business experience is not sufficient to understand his success. As he told us, he had to “demonstrate” that he knew how to sell things. He opened a start-up and led it into an IPO thus enshrining him as an accepted executive. This institutional career bought him recognition in the business world. This recognition (as well as the financial assets that upper management positions entail) helped him to – literally – buy a position of economic power in Venezuela. This is exactly what a formal selection provides. In Bourdieu's sociology, this would be labeled structural equivalence.

Structural equivalence

Structural equivalence is a common notion in structural sociology. According to this notion, positions in a given structure correspond to other positions in a different structure. The typical example from Bourdieu is found in *State Nobility*². Bourdieu argues that the French society is built over different fields. Within each of these fields, agents have different characteristics. These aggregate into what he calls different types of capitals. In each field, different structures of capital are dominant. For instance in the cultural field singing skills translate into a position of dominance. However, if an investment banker starts singing in the middle of a trading floor it will probably

¹ In 2000 Jeseé Chacón was in charge of the regulatory agency for the telecommunication sector. Following the 1990's privatization of the public phone company, chavism oversaw the writing of a law deregulating the system.

² BOURDIEU P., *The State Nobility*, *op. cit.*, p. 373-375.

harm him professionally. Other sets of skills – the ability to generate economic returns – are needed in his economic field.

For Bourdieu, the educational system selects the dominant agents in these different fields. Different schools assist this field-related *reproduction*. On the one hand, public, selective schools highly benefit the sons of the dominant class in the cultural field. On the other, private, high-status high schools help select the sons of the dominant in fields where economic capital is most important. This structure of high schools “translates” – finds an equivalent – in elite university institutions. On the one hand, schools with a higher percentage of agents whose fathers have economic power (HEC, *haute école de commerce*; high school of management), can be contrasted with the ENS (*Ecole normale supérieure*) that select the sons of agents with much more cultural capital. This university structure “corresponds” to a series of professional positions that Bourdieu calls the “field of power”, a meta-field in which different kinds of capital coexist. In it, agents struggle to impose their own capital as legitimate. So for instance, a singer and an investment banker would try to impose their own skills and personal characteristics as legitimate. A caricature of this opposition would be that the banker would denounce the singer’s bohemian lifestyle, and the singer would attack the former on his greed and ask for higher income taxes.

Each one of the words in quotation marks in the previous paragraph simplify this process of structural equivalence. A system of social positions has a structural equivalence in the educational system. The outputs of that system find structurally equivalent positions in the university structure. That structure has equivalence in the professional world. This accumulation of integrated processes of structural equivalence, accounts for a seemingly contradictory output. It translates a structure of social positions into one of professional positions, and therefore of economic wealth. So, for instance, the offspring of a wealthy family might find him or herself in positions of economic affluence. But since all the filters are educational, a professional will claim to have been educationally selected. However, the multiplicity of the screening processes allows for “mishaps”. The son of a worker can very well become a banker. The example given by Bourdieu was the one of women in scientific careers. Since they had been so over-selected, when they got to the university they outperformed their male counterparts¹.

¹ PASSERON J.-C. et P. BOURDIEU, *La Reproduction*, Paris, Editions de Minuit, 1970.

Another example of structural equivalence can be found in Mizruchi¹. He gives the instance of public positions on pornographic movies. In this example, he observes that left wing feminists shared the opinions of far-right catholic fundamentalists regarding the screening of adult movies. They wanted to ban them because of the harm they were inflicting on societies' values. Agreed, their specific values were not the same. Nonetheless, the depiction of raw sexuality in movies attacked the social positions of both groups.

Structural equivalence is a concept that links one position in a web of relational positions to another.

Structural equivalence rests on a socially accepted evidence, which is that economic elites occupy CEO positions. These positions rest on identifiable institutional hierarchies (president, vice-presidents, directors, etc.). Therefore, by short-circuiting a position identified as that of upper management, an agent can be recognized as upper-management material. He can at least be accepted as having the required upper-management skillset (as presented above). In this case, Naz's experience in computer science was directed towards the development of a company. His upper-management position in the startup became recognized in technological companies in the USA. By being in those positions, he was then called on to occupy other upper-management positions in traded (listed in the stock market) companies. This secured him recognition, and most importantly, professional experience. This process of structural equivalence was only possible because of the existence of this formal selection structure.

Interview with Vol: the professional trader

Vol's trajectory used this selection structure to transform a family position of inheritance into a personal position of recognizable business skills. He is the son of a long-lasting business family in the country. He studied in a high-status high school in Caracas. Then he was accepted in an American liberal arts college at an undergraduate level. He promptly returned to Venezuela where he worked for a non-family-related business for two years. Then he was called to one of the family's companies as a salesman. Rapidly, a position opened, and he found himself occupying a middle-management position in a sugar company.

¹ MIZRUCHI M.S., « Cohesion, structural equivalence, and similarity of behavior: An approach to the study of corporate political power », *op. cit.*

Up to this point, his biography resembled that of the “heirs” described earlier. Vol, used his family connections to occupy the best position and to secure a rapid climb on the corporate ladder. In this logic, he then enrolled in an MBA in the US. However, after graduating from his MBA he went to work as an employee for a trading company (coffee and sugar) in Mexico. Two years later, he was promoted. His task was to open the Peruvian desk of that company. Those years were a high-growth era, and this secured him in higher positions within the company.

This first experience led his employers to send him to Miami where they were transferring the New York offices. He stayed there for two years. The situation of that branch was more complicated because the New York (now in Miami) desk was in some financial trouble and reorganization was difficult.

In 2008, he decided to open a trading company in Venezuela. During those years, Hugo Chávez had started a campaign of land nationalizations. International trading companies – chiefly in the agricultural sector- were deciding to reduce their exposure to Venezuelan assets. There he found an opportunity. This allowed him to grow nationally (at a rate of 100% per year). In addition, it helped him expand to other Latin American countries and also to other commodities chiefly steel.

Vol’s trajectory shows a second “function” of this institutional selection. It operated another process of structural equivalence. It transformed a position of family reproduction into a proved trajectory of economic accomplishments. Having successfully run two non-family businesses, Vol’s trajectory was unmistakably “meritocratic”. In spite of his family’s influence and experience, he did certainly acquire intricate knowledge on trading mechanisms. He also had a privileged experience in managing business. This undoubtedly makes him a knowledgeable and crafty businessman. However, he remains one of the select sons of a well-known economic family. Therefore, this institutional experience justified his career, and the doubts that others might have had about the role of inheritance in his life became instead queries regarding his capacities. Which had proven to be of unparalleled success.

For Naz and Vol this formal structure of professional hierarchies transformed their personal skills, acquired through an informal professional process, into identifiable positions of power in the Venezuelan economic world. For the former it legitimized a business career that began with a series of academic and professional positions. For the latter, it softened the burden of his family

inheritance. With regard to Vol's merits, his work experience justified his success. In both cases, educational trajectories alone could not account for their selection. Education eased their way through the business-selection structure. Their ascent within the institutional hierarchical structure secured it.

We will now focus on two very different instances of this professional screening process. To do so we will concentrate on agents with trajectories in multinational companies. Institutional screening is extremely strong in those firms

3.4.3.2. *National paths to executive positions*

“There are several American companies in Venezuela. Americans direct none. I'm trying to remember one that is [directed by an American] and I can't. Let me see, by business associations, by economic sectors... This is interesting. Oil sector, who is here? Banking sector, they are Venezuelan or foreign [non-Americans]. In the service sector, I don't know that many people. In the consumer goods sector, they are foreign or Venezuelan. I can't think of an American. [...] This is extremely interesting. I mean American companies appoint international executives in Venezuela, but not Americans. Americans direct few companies. This is interesting because in my career I have seen multinationals reducing ... twenty years ago [multinationals] appointed executives from their home countries. [...] Today they are global executives. In Latin countries, most are Latinos. This is a transformation. Cos, Country Representative of Consumer goods Multinational.

The 1970's political satirist Sancho wrote, “La patota política” (The political gang)¹. It was a weekly cartoon mocking known figures of the Venezuelan political landscape. Mr. Oil was one of its recurrent characters. He represented an American oil executive. The cartoonist drew him with a colonial outfit: he wore white shorts and a short-sleeved shirt. He even wore a white colonial hat and long socks. He embodied the idea of an out-of-place American in a combative country. Oil

¹ SANCHO, *La patota política*, Caracas, Ediciones Sancho, 2006.

nationalization was about to become the law of the land. He intended that his character be an object of scorn. Even if some executives in the Venezuelan economic world do come from foreign countries, this depiction overlooks the importance of national trajectories in multinational companies.

The process we have been describing in which a corporate hierarchy produces structural equivalences is best seen in multinational companies. People in multinationals usually have a “career”. Additionally they specialize in an economic sector. Furthermore, companies have different managerial “cultures”. These distill into agents’ personalities. The narrative of the president of an energy corporation in the country gave us an example of how a multinational expected certain types of behaviors from their employees. Ull worked for a smaller company that was bought by his current employer. He was luckily not “that old” when he switched firms and “cultures”. Had he been older he would have had to resign. It is difficult for people to get rid of old tricks. Big companies ask for certain behaviors. If their staff does not comply, they get fired. In another example, an oil consultant in the country told us that in the 1970’s Shell employees in the country were “straight and proper”, whereas Standard Oil employees were “free-spirited”¹. To sum up, agents in multinational companies go through a hierarchical selection filter that shapes their personality types. These are of extreme importance in matching an agent’s career and skillset

As Dip’s and Bad’s trajectories show however, country representatives in multinationals do not necessarily develop in the context of “international” careers. National trajectories can also lead to upper management positions.

Interview with Dip: the public-educated technology manager.

We will first concentrate on the career of Dip. Her institutional advancement helped her transform an educational trajectory into a managerial position in a multinational business. She is the daughter of the former manager of an aeronautic public company. She received a high-status, private high school education in Caracas. Instead of choosing a private institution, she undertook university

¹Interview Ces

studies in a public university. She graduated as a computer engineer. Once out of the university she first worked in a company founded by her teachers. This experience taught her “exactly what should not be done in a managerial position”.

The company failed, but she used this first professional experience to find a job in a German company operating in Venezuela. Then a bigger German company bought this first firm. From there she rose to higher positions and was awarded her first managerial tasks.

In the mid 1990’s, an American company hired her for a middle management position. Then she rose rapidly to become country and regional manager for oil-related questions. In 2011, she moved to another technological company where she still is country manager.

She likes to play golf.

Dip transmuted an academic profile into that of a senior executive. First, she used her personal connections with her teachers to go into the private sector. Even if the company failed, this first institutional step gave visibility to her profile. This two-year contract was a stepping-stone for working in a mid-level position in a private company. Entering that second company Dip had nothing but an “expert” title. By rising through the ranks, this fundamentally “technical” title allowed her to go into “commercial” positions that would result in managerial experience. As she told us, in technological multinationals the most important positions are commercial. This positions opened the gates for her to major American multinationals. However, despite a career “in the multinationals”, her trajectory was fully “Venezuelan”.

Interview with Bad: the skillful son-in-law.

Bad also followed a national trajectory that led him to a multinational firm in Venezuela. However, he comes from a different background. He is the son of a carpenter and a sales woman of Spanish descent. They both emigrated from France (from a camp of refugees; they came from Spain) to Venezuela after the Spanish civil war. In an interesting anecdote, Bad’s mother was born at the home of the countess Mac Mahon¹, because Bad’s grandfather was her chauffeur. This is an interesting reflection about how social classes interact and change over time.

¹ The current Countess Mac Mahon is the descendent of Marie Edmé Patrice Maurice de Mac-Mahon. He was president of France from 1873 to 1879.

Despite his working class background, Bad's father paid for his son's education in a private, Caracas high school. In the 1970's, he was accepted in a polytechnic institute in Madrid. However, he finished his education in a Venezuelan public university where he graduated as an electrical engineer. He had a specialization in electronic control systems.

He first embarked in an academic career. However, the public university that hired him went on strike. Since he had to "feed his family", he accepted work at his father-in-law's company. This family member first helped him to implement an electronic control system. Then Bad was appointed to the "vegetable-oil and greases" department. He has worked in that sector ever since. Thirteen years after taking the position in his father-in-law's company, a major international company bid to buy the firm. After 9 months of negotiations, Bad sold the company. *Loadel* hired him as an assistant to the director of the "greases and vegetable-oil" division. From this trainee position, he went on to oversee an asset disposal to a Venezuelan butter brand. From this experience, the firm sent him to their headquarters in the United States. There he underwent another trainee course with the general director of the company. They asked him to stay and manage the Mexican market. However, he had to return to Venezuela because of immigration problems related to residency in that country.

He returned to Venezuela and took a position as a general assistant to the "greases and vegetable-oil" director. Then the former director left for Brazil, and Bad took over the entire production line. In 2006, the company transformed its production line, and his branch was reorganized. He was then sent to Colombia but this experience proved unsuccessful. He came back to Venezuela when the firm's previous country-representative left the country.

In his trajectory he has occupied vice presidential positions in three areas, a) in his sector's business associations, b) in the country's encompassing business association (the association for the major industries) and c) in the Venezuelan-American business association.

He likes to play football, surfing and reading.

Bad's wife was wealthy, and in a dire financial situation, his father-in-law had helped him out. This position, in addition to his technological skills, made managerial positions in this family industry available to him. However, it was not until he was coopted by the multinational company that he became an "international" manager. The multinational hired him in a trainee position. This gave him a rapid overview over the entirety of the business. The three-years "training" course served as

a stepping stone to accumulate further skills. The trainee program in Venezuela opened the gates to another trainee program in the firm's American headquarters for him.

In a period of almost 5 years, the institutional ladder transformed Bad's profile. He went from a position tainted with the suspicion due to his family's help, to meriting an immaculate stamp of approval when he became an assistant to the presidency in an American multinational. Logically, he became the "natural choice" for upper-management positions. Therefore, when he returned to Venezuela he served briefly the assistant to the president before taking a general-manager position for a line of product. This led to a country-representative position. In his case, the institutional structure allowed him to transform a family appointment in Venezuela into an international managerial credential.

The formal institutional structure of continual screening helped Bad and Dip by transforming knowledge and skills into recognizable, managerial positions in American multinationals in Venezuela. This is an extremely efficient way of achieving recognition in the business world in Venezuela.

This lead us to call for a deeper understanding of what the variable international entails. Although our argument does not rest on regression analysis, authors usually regard the category "international" as a sufficient explanatory variable. However, as we see here, even a career in multinational companies can be successful within a nationally-framed path. In this example, despite being country-representatives for multinational companies, Bad and Dip had preeminently national careers. They both went to elite high schools and first-level universities in the country. Their road in the multinationals reinforced their national positions.

Having focused on the structural-equivalence role that institutional careers allow in the national realm, we can now assess the importance and value of international careers. These careers are interesting for two reasons. First, we have been able to show that foreign multinational's managers undergo long-term selection processes. This has allowed us to suggest that this professional selection is not limited to the Venezuelan case. For further comparative research, it might be interesting to deepen this empirical finding.

Secondly, this has helped us describe the type of selection process mentioned on p.131-145 with great precision. We started this presentation about the careers of the economic elites by referring to multinational executives working as state contractors. There we stated that some of the agents that were “selected” by the state had already been “selected” by the winnowing processes that had happened in the private sector.

Here we will clarify what this process entails. These formal structures of legitimation are central to understanding economic-elite selection in the country. International CEO’s of multinationals demonstrate the “purest” form of this formal selection. Neither their education, nor their business background, nor their business contacts are Venezuelan. They manage multinational companies because they climb up their ladder in other countries. They are only business elites in Venezuela because they were coopted by the institutional corporate structures of their companies.

3.4.3.3. International paths to multinationals

The image resulting from the two main hypothesis of the typical-path approach (crony capitalism and the importance of connections with the foreign world economy) is that of an economic world inhabited by state profiteers and foreign educated CEO’s. Our results suggest another point of view. We admit that state profiteers do exist, as we have seen in the last segment of the qualitative analysis of the state market. In what we will present in this last segment about the careers of professional managers, foreign CEOs do have business activities in the country. However, only extremely specific foreign agents end up leading a company in Venezuela. They come to the country as professional managers in multinational companies, and for this reason they went up the ladder in their respective companies. As we have seen, this professional ladder is a “machine of structural equivalence”.

We will now study the life-stories of two businessmen that have business experience in Venezuela. The First, Cla turned an education in Spanish literature in Europe into a business position. Cos, on the other hand transformed a professional experience in his Latin American family-owned firm into a managerial career in multinational firms. Both Cla and Cos had relatively unsuccessful elite educations. They repaid this first “misstep” with an institutional selection inside major economic groups. In this case, their careers were revitalized by their economic institutional success.

Interview with Cla: the country representative of a personal care company

Cla is the son of a doctor in theology that became a diamond miner in eastern Venezuela. This is why Cla studied part of his high school in a second-class high school in western Venezuela. His father found a sizeable diamond when Cla was 17. They moved back to Paris where he entered an international school. He first tried to go into the French literary preparatory schools for the Ecole Normale Supérieure, but he failed that exam and went to the university. There he obtained undergraduate and graduate degrees in Latin American literature. During his studies, he wrote articles for a women's magazine.

At the age of 23, a cosmetic and beauty company in France hired him. The following year he began as a salesman in western Venezuela. This entry helped him climb positions and he was appointed director for marketing in Venezuela. After a year in that position, he was called back to the French headquarters. There he was offered his first managerial task which was reorganizing professional services.

After 10 years in the company, he was sent to manage a professional division in southern France. Then he was in charge of launching an American brand in France. This helped him secure more responsibilities. The company first sent him to Eastern Europe. Then he oversaw sales for professional products in the Middle East. In 2011, he “rebelled” and said he wanted to go back to Venezuela. He was offered a CEO position. He took over a company in financial distress and nevertheless obtained record profits for some years.

He teaches at a graduate school that offers an MBA and likes to fly planes.

Cla's trajectory introduces the interesting problem posed by the type of international CEO that occupies positions of power in Venezuela. Cla had a very impressive career in his firm. For instance, he was the youngest brand director in the history of the company. However, he failed to go through the *grandes écoles* (elite's schools) system. In France, these institutions are considered a *voie royale* (a preferred jumping off place) to success, and lacking this background a businessman can be limited in his rise. It is a means to top executive positions in the French headquarters. However, as Bauer and BertinMorot¹ rightly have demonstrated, French executives are not

¹ BAUER M. et B. BERTIN-MOUROT, *Les 200: comment devient-on un grand patron?*, op. cit.

constrained to a *voie royale*. Careers inside companies (*carières maison*) were possible. However, weighing his chances, Cla, decided to try to obtain a CEO position in Venezuela.

This can be clarified with an extract of an interview with a French businessman, former CEO of *Pythagoras*, a defense company. He told us that an important difficulty in his business was convincing the “Parisians” – a euphemism for his French superiors – that you could do business in Venezuela despite newspapers scandals. In this particular case he referred to the anecdote that as he was in the midst of a four months negotiations, the Venezuelan and the French government were in a diplomatic kerfuffle. From this anecdote we understand that their managerial position puts them in subordinate positions to the Parisians executives.

Cos¹ exemplifies the international career of multinational CEO’s in Venezuela. He was an heir, but from a small state. He went to a good Brazilian university but not to the most socially selective ones in São Paulo. After a first professional experience in his family business, he went through an educational transformation. This secured him a trainee career that led him to occupying high executive positions in different companies.

3.4.4. Legitimizing skillsets in the business world

Studies of top managers’ careers share a common methodological tautology. As Joly² rightly states, French studies usually focus on the top 40 or top 200 managers in the French economy. Useem also pointed to this sampling problem³. He found that studies that employ small-universes may find similarities whereas large samples may discover dissimilarities between members of this population.

There is however another problem that neither Useem nor Joly have focused on. Studies of the careers of top economic elites necessarily study “managers”. Heads of major corporations administrate modern economies. These people get to those positions usually after more or less long institutional careers. The logic of professional and institutional screening is therefore overlooked.

¹ Se biographical detail in annex p. 385-390

² JOLY H., « Les études sur le recrutement du patronat: une tentative de bilan critique », *op. cit.*

³ USEEM M., « Corporations and the corporate elite », *op. cit.* ; USEEM M., *The Inner Circle*, *op. cit.*

More attention is directed towards the social characteristics of the elites than to how these characteristics are used to obtain positions in corporations.

Studies that do focus on these processes tend to be extremely limited (one bank for one year)¹. The kind of study conducted by François and Lemerrier² is rare in that it details the type of position in which elites go into the firm. Even the major work done by Hervé Joly³ and Useem and Karabel⁴ fail to clearly identify the organizational ascent of CEOs.

Professional and institutional roads to *elite position* are not banal. Economic careers among the elite rely on both learning the market's informal rules and the formal validation of those social positions. The size of the pay force, the margin of revenues and turnover are other legitimating symbolic signs. Executive careers rest on institutional positions that cement and validate the acquired skills of the administrator. As we saw, there were two types of required skills, first the use of one's own social capital, and secondly, the ability to understand the "rules of the game". Therefore, these institutional positions are excellent proxies for measuring the legitimate acquisition of the informal skillsets required to succeed in the economic world. Legitimized skillsets usually translate into effective power in the economic realm. As we saw from the first segment on the state market however, education is also an important way of legitimizing agents' positions. To sum up, to understand business careers we have to study the educational and professional trajectories that filter the business elites.

3.4.4.1. Coding #3 Institutional positions.

There are two distinct types of businesses; first, we can mention family-owned companies. Inside them, economic elites occupy the presidency after their fathers have left these positions. The second type include corporate careers. Three hierarchical levels are available to managers. The first are middle management positions (equivalent to factory manager or *director* of a product line).

¹ GODECHOT O., « Le capital humain et les incitations sont-ils les deux mamelles des salaires dans la finance? », *op. cit.*

² FRANÇOIS P. et C. LEMERCIER, « Des financiarisations en contrepoint: Finances et financiers dans les conseils d'administration du SBF 120 (1956-2009) », *op. cit.*

³ JOLY H., *Diriger une grande entreprise française au XXe siècle: modes de gouvernance, trajectoires et recrutement*, HDR, Ecole des Hautes Etudes en Sciences Sociales (EHESS), 2008.

⁴ USEEM M. et J. KARABEL, « Pathways to Top Corporate Management », *American Sociological Review*, 1986, vol. 51, n° 2, p. 184-200.

Secondly, we have upper management positions (equivalent to vice-presidential positions or executive positions). Thirdly, there are presidential positions.

However, there are other positions that should be highlighted, for example, board positions. These are not extremely time-consuming and offer steady streams of revenues. On the other hand, there are trainee positions that constitute a fast-track to upper management jobs.

To show the importance attached to this measure of equivalence between institutional positions and assumed skillsets we would like to repeat an anecdotal joke we heard during our fieldwork. Eugenio Mendoza (father) was believed to be one of the most successful businessmen of his generation (1930-1970). When he passed away, his son occupied the presidency of the family holding. Under his leadership, the company slowly shrunk until it ultimately disappeared with the 1994 financial crisis. For this apparent failure, his son was mocked in the business circles. They called him “Eu” because he had lost the “genio Mendoza”. By taking the first two letters off his father name, this wordplay meant that his son had lost the “Mendoza genius”. However, it is a good reminder of the importance put on the institutional machine for structural equivalence. People that do not respect it are scorned.

3.5. Conclusion: Educating the working elites: a twostep selection process in oil-rich Venezuela.

3.5.1. Prelude to the conclusion: A varied business elite

The uncoordinated oil state produces a structure where economic elite must – in addition to *getting there* – fight for their legitimacy to occupy the position they sit on. This, we hypothesized coupled with a century-long state/private sector confrontation, led to the existence of multiple types of careers in the economic world. Our account was able to bring forward, that educational and professional filters (the state, the business associations, the formal corporative selection structure and understanding the informal rules of the game) oriented careers in the economic realm in Venezuela. We need therefore to assess for a way of measuring the existence of multiple types of available careers.

Other theories on Latin American elite's careers rest on typical-path approaches. Their mean oriented methods look for the path more traveled. To disprove their points, we put ourselves in a position that could allow us to prove them right. A diverse data set should have delivered the key elements they put forward: the importance of the state and of foreign education. But it did not. It showed that the selection of the business elites was a long-term process that we will now seek to address. The problem that we will now face is finding regularities in this data set. Building on the empirical findings of this chapter, we will therefore be able to unveil, a plurality of available careers.

3.5.2. From a typical path to a continual screening approach

“Do you know how to recognize a natural businessmen? They are like the Portuguese that we knew in Venezuela. They open a grocery store, and ten years later, they have a super market. These are guys [“*carajos*”] that make one good business. Then they make three good businesses. Then six. I mean they are constantly creating value. Do you understand? Some guys don't do that. You figure out when someone is an opportunistic when the guy hits the jackpot [“*la pegó*”] one

time. Then he spends ten years doing nothing more than living out of the money he made that one time.”

Interview Naz

To conclude allow us, once again rely on an *ad absurdum* demonstration. The typical path approach most salient propositions argue that either state connections¹ or foreign education² are fundamental to acquire respectively the skillset and social distinction that explains the ascent of economic elites. To prove them right we just had to study the careers of state contactors. There was no doubt that they had made their money in state related businesses. By highlighting their education and comparing it to their state related careers, we would be able to see if one explanation prevailed over the other. However, our qualitative findings showed that these explanations were complementary. Long lasting education – at least until the university level – in national (public or private) and international institutions went hand in hand with personal and institutional connections with the State. Careers in the economic realm combined both scholar and professional trajectories.

Digging onto these professional trajectories, we studied the careers of agents in leading positions within the businesses associations. Their explicit system of hierarchies made clear that professional ascent was synonymous with occupying clear hierarchical positions in the business world. Positions of presidents were not solely distinctive titles. They rested on a structure of institutional hierarchies that required long-lasting personal investment from agents.

Finally, we clarified this structure of hierarchies through the analysis of two distinct types of economic elites. Heirs highlighted the importance of informal practices. Professional manager revealed that institutional professional structures were, as we called them, machines of structural equivalence. They helped validating the acquisition of formal and informal skillsets in the private sector.

The careers in the private sector, therefore, rests on the structure that validates the legitimate-ways of acquisition of skillsets useful in the private sector: foremost the ability to “generate value”, to make money out of more money. There are two types of such “legitimate structures of legitimacies”: Scholar institutions (high school, undergraduate education and graduate education)

¹ NAÍM M. et A. FRANCÉS, « The Venezuelan Private Sector: From Courting the State to Courting the Market », *op. cit.*

² CAMP R., *Mexico's Mandarins*, *op. cit.*

and professional selection (the path that leads to the head of public or private structures; and to preside over business associations). This process of long-term scrutiny is at the base of a continual screening approach for the study of the trajectories of the economic elites.

3.5.3. Coding from grounded properties...to demystify the oligarchic coup analysis.

Let us lay the grounds for comparing careers in oil countries. This qualitative account was necessary for two reasons. First, few texts exist on the selection on the economic elites in Venezuela. This helped us understanding which were the most important variables at play in the selection of economic elites. Secondly, this helped us show that the selection of the Venezuelan elite followed a continual screening that did not rest on a single variable. We will devise a method to logically interlink these qualitative blocks. This will push us to conduct a series of statistical descriptive measurements on our data. By linking these building blocks, we deliver a visual representation of available careers in the business sector in Venezuela.

Digging into these categories, this chapter showed which were the filters that validated the acquisition of skills needed in the private sector (Coding #1- #3). The career-analysis we will perform in the next segment will rest on these building blocks. Table 3.3 sums up these categories.

Agents validate their acquired skillsets through both their national and international scholar performance and professional achievements. Additionally, in the Venezuelan case, state connections proved to be of extreme importance. Both during the early stages of an agent's career. And when they secured state contracts. This set of institutional positions are good proxies of an agent position in the economic world.

Variable	Category	Outcomes
Education	High School	Public/low status High Status Foreign
	Undergraduate	Public Low-status private High-status private Foreign
	Graduate	National MBA Non-MBA graduates
	Diplomas	Engineer Lawyer Economics/Management Other diplomas
Business positions	Family owned	President Workers
	Corporate careers	Middle management Upper management Trainee CEO Board Member
State connections	Professional connection during career	State agencies oil industry
	Managing position	Public company Public fund
	State contracts	State contracts
Business Associations	Sectorial chambers	Member
	All-encompassing associations	Member
	All-encompassing associations/Fedecamaras	President

Table 3.3 Key points in business careers

3.5.4. Binding the complexity of Venezuelan politics: desegregating usual categories

Fernando Coronil article “state reflection” sheds some light onto the reasons why the 2002 coup usual narrative face-off such parodic groups. As he hints, coups closely resemble intermediate phase of rituals. During them “Social norms and values are simultaneously questioned and affirmed, in a sort of [...] carnival that subverts and exaggerates axiomatic principles in order to

make them more visible, and [...] to reinforce the prevailing order”¹. In explaining the 2002 coup, the pueblo can easily have faced an “imperialistic oligarchic rentier bourgeoisie”.

These large explanatory categories cannot be separated from an analysis of the Venezuelan economic elites. They are parts of the “prevailing order”, to retake Coronil’s words. State profiteers exist. Powerful oil and food multinationals make deals with the government. Heirs inherit. However, these categories are less useful as explanatory factors than as *democritean* atoms. They only make sense in a long chain of mixed attributes built over structures of validation. Therefore, an agent can simultaneously be foreign educated, professionally screened by multinationals, in close dialogue with the state and an economic heir. By desegregating these categories, we can now build grounded categories of analysis that more accurately describe the Venezuelan business world.

¹ CORONIL F., « State Reflections: The 2002 Coup against Hugo Chávez », *op. cit.*, p. 59.

4. Chapter 4. A continual screening model: the company-driven long-term selection of the business elites

“How to ignore the extravagance of a project seeking to compare the structure of the field of the schools of power to the field of power itself? And the excessiveness of attempting to demonstrate that the first is linked to the second by a structural homology that binds them both through a particular interdependent relationship of causality?”

Bourdieu *Noblesse d’Etat* P 373

4.1. Introduction: Proving a continual screening approach.

This chapter aims at demonstrating that the type of companies that business elites command, determines the paths that lead them to reach positions of power in the economic realm. Building on the findings in chapter 3, we argue that the markers coded there, concatenate to unveil multiple paths to head the various types of specialized enterprises that coexist in the Venezuelan economic structure. Furthermore, deepening on the conclusions reached in chapter 3, these careers rest on scholar and professional screens. We thus contend that the selection of the business elites rests on long-term selections. This process hinders the entrance of new unwanted players in the economic arena. In this long-term screening, “the state” is one of the many several professional filters that distills the business elites out of the pool of potential candidates. As business elites sit at the head of corporations with assets and cash flows, they are not only able to engage in economic strategies, but also to select – within their means – the type of candidate they want. In this lengthy selection process, it is demanded of candidate to cumulate personal assets. Views that assume the existence of a universal key are not useful for understanding the Venezuelan example. Therefore, our perspective on the continual screening of the business elites strengthen the incumbent/challengers models that are usually used for explaining the Venezuelan business sector.

4.1.1. The pole approach: completing the typical-path perspective

Such a model can be found in a variation of the typical-path approach. Typical path analyses rest on finding the pivotal moments in the careers of the economic elites to be. Two major hypotheses guide authors writing, within this perspective, on the selection of the economic elites in Latin America. The first group of authors argues that the careers of economic elites is secured through foreign education¹. Agents from high-class backgrounds use these structures to cement their social prestige. Authors relying on such arguments, usually account for more complexity than what our simplification has acknowledged. Adding to this international pole, authors that insist on the preeminence of agents with international careers recognize² the existence of national structures of selection. These are usually more scholarly selective. And they are less of a secure path for the offspring of wealthy families. Similarly, crony capitalism authors do not see state intervention as a universal answer. Authors that defend these academic grounds³ argue that agents' positions are determined by their respective relationship towards the state and foreign trade. Therefore some agents might develop industries but only because "the international market" allows them to⁴. The typical path approach never operates in full categories. So whenever authors accept that an "international" sector exists, they usually recognize that a "national" one does as well⁵. The typical path approach argues in these dichotomous terms. On the one hand, a source of legitimacy hails a challenger. On the other, this opens up spaces for incumbents.

A good example of this reasoning can be found in the book *Fragments of an unfinished war*⁶ of F. Mengin. He argues that the semi-conductors industry in Taiwan developed in the shadows of the rentier state. Companies in that industry faced several difficulties. First, they were not protected by

¹ DROSILA VASCONCELLOS M., « L'internationalisation des écoles de gestion au Brésil », *op. cit.* ; RITA LOUREIRO M., « L'internationalisation des milieux dirigeants au Brésil », *op. cit.* ; CAMP R., *Mexico's Mandarins*, *op. cit.* ; DEZALAY Y., « Les courtiers de l'international », *op. cit.* ; ZIEGLER S. et V. GESSAGHI (dir.), *Formación de las élites. Investigaciones y debates en Argentina, Brasil y Francia*, *op. cit.*

² DEZALAY Y. et B.G. GARTH, *The Internationalization of Palace Wars: Lawyers, Economists, and the Contest to Transform Latin American States*, Chicago, University of Chicago Press, 2002 ; DEZALAY Y. et B.G. GARTH, *Asian legal revivals: Lawyers in the shadow of empire*, Chicago, University of Chicago Press, 2010.

³ KARL T.L., *The Paradox of Plenty*, *op. cit.* ; FALETTO E., « La especificidad del Estado en América Latina », *Estudios-Centro de Estudios Avanzados. Universidad Nacional de Córdoba*, 2014, n° 31, p. 157-180.

⁴ Example of the soap industries in Venezuela. RANGEL D.A., *La oligarquía del dinero*, *op. cit.*, p. 232-235.

⁵ SAES D., « Democracia e capitalismo no Brasil: balanço e perspectivas », *Revista de Sociologia e Política*, 1996, n° 06-07, p. 129-147.

⁶ MENGIN F., *Fragments d'une guerre inachevée: Les entrepreneurs taiwanais et la partition de la Chine*, Paris, Karthala, 2013.

the state (thusly excluded from the national market); secondly, they could only have access to credit delivered by municipalities – which were not large. For those that survived and for structural necessities, companies were extremely competitive in the international markets and of an intermediate size (both in terms of labor force and assets).

Much like this example, approaches dealing with pivotal arguments, tolerate the existence of incumbent economic elites – defined by their proximity to the source of legitimacy –, and of aggressive newcomers. We argue that these struggles that stage seemingly dominant agents facing their perilous foes, are the manifestation of a complex world in which different companies – because they have the means to – select specialized strands of business elites through the long-term process that they can afford.

4.1.2. Hypotheses: professional screening's autonomy towards scholar selection

To prove the validity of our continual screening approach we have to verify a series of empirical hypotheses. All of our hypotheses rest on the findings in chapter 3. Following these conclusions, we divided the scholar and professional selection processes. We contend that the assets that a company commands guide the selection of the Venezuelan business elites. If they are able to promote their own within their ranks, then companies will not outsource their powers of selection. On the contrary, relatively smaller firms are more reliant on the outputs of the scholar system. The more powerful companies being able to grab agents with the best educations, and the smaller ones having to grab the social “*leftovers*”.

In line with the results in chapter 3, there should be three types of scholar trajectories. A low-status, public education, a high-status, private education and an international-driven education. The civil servants under Hugo Chávez had a preeminently public education. Secondly, most of the professional managers in our sample had a socially selective education. Finally, we should expect foreign education to attract mostly the foreigners in our set; at least at the high-school level.

Secondly, based on the results in the previous chapter there should be three types of business career in our set. First a group of agents working in the public economic sector. Then a group of agents that rapidly occupy the presidency of the company for which they work and finally a group of

agents selected by longer corporate screenings. We should expect large corporations – national or multinational –and the state economic sector to attract agents with different types of educations. This is so, because as we saw in chapter 3, larger corporations hire agents with national or international careers. Consequently, they can allow selecting them through their internal screening mechanisms. On the other hand, the state promotes, small businessmen, public educated middle class civil servants and rich industrialist managers. Henceforth following its own screening logics. However, we should see that relatively less complicated companies – in which it is easier to climb the hierarchical rungs rapidly – externalize their recruitment process to certifiable education structures¹; in Venezuela this means to high-status private education. Finally, we should see a fourth group of smaller firm having to attract the agents with the worst private education in our set. In consequence, the multiple professional filters shown in chapter 3 build an economic world in which the business elites can stride several avenues, resulting in different trajectories. Different types of companies, select the agents it wants to promote, generating these different observable career-paths.

4.1.3. Coding the dataset: sequence analysis

To account for education, professional paths and the link between them both, we will use the TraMineR package in R². This package analyzes categorical sequence data. This program measures similarities between sequences. We will first describe the education of these elites, then their professional trajectories. Secondly, we will be able to cluster these sets of categorical sequence data. Finally using the NetDraw program, we will link them to deliver a visual representation of the available careers to business elites in our sample. To perform the TraMiner analysis we coded the trajectory of 38 of the 39 agents³ in our sample as lines of categorical sequence data. For this type of notation, each agent is associated to a line in a spreadsheet. Each line is divided into entry points that represent a moment in time (a year in this case). Furthermore, each moment in time is defined by a category.

¹ BOURDIEU P. et L. BOLTANSKI, « Le titre et le poste: rapports entre le système de production et le système de reproduction », *Actes de la recherche en sciences sociales*, 1975, vol. 1, n° 2, p. 95-107.

² GABADINHO, ALEXIS, RITSCHARD, GILBERT, MUELLER, NICOLAS SÉVERIN, et STUDER, MATTHIAS, « Analyzing and Visualizing State Sequences in R with TraMineR », *op. cit.*

³ We did not have quantifiable information for one agent

Let us clarify this with an example¹. Take the last life story from the previous chapter². Cos first entry point is secondary education in Brazil. So, Cos has 6 consecutive entry points (6 years) of secondary education in Brazil. Then he has 5 entry points for studying in a Brazilian University, and so forth. In a second line, we introduced the codified trajectory of another agent. Let us take the first trajectory. Gag has 5 entry points (5 years, high school in Venezuela lasts one year less) in a low level high school near Caracas. Then he has seven entry points in a public university, and so forth.

4.1.3.1. Coding the education set

We coded these life stories using the categories in table 3.3 in chapter 3. As TraMineR only accepts 12 variables, we divided the analysis into education and professional sets. This “technical” limitation corresponds, however, to an empirical reality. Both education and professional selection play different roles in the business world.

¹ For an example of Cos’ coded biography see methodological appendix in chapter 2

² See P390

Variabes	Code	Explanation	Abs freq
High School	SF	Foreign High School	7
	SPRIV	High Status Private High School	22
	SPUV	Low Status High School	9
Undergraduate education	UF	Foreign University Studies	13
	UH	High Status Private University in Venezuela	8
	UL	Low Status Private University in Venezuela	7
	UPUBV	Public University in Venezuela	11
Graduate	PGF	Foreign Graduate degree	11
	MBA	Foreign Graduate degree in Business Administration	6
	PGV	Graduate degree in Venezuela	5
PhD	DP	PHD and Teaching assistant between Master and PHD	6
Working life	WOR	Working life	38

Table 4.1 Categorical sequence codes for education trajectories TraMiner, n=38

Table 4.1 presents the variables used for the analysis of business elites' education trajectories of the agents in this sample. The “n” represents the number of agents (out of 38) that spent at least a year in that category. For instance, 22 agents in this sample went to a high status private high school in Venezuela. It is important to point that these categories are not exclusive. This is so for two reasons. First, there are overlaps between categories. Agents go to high schools and universities. Secondly, there are inter-categorical crosses. Some agents went to different kinds of universities. For instance, Ber¹ went to a foreign university, a high-status private university and – once he was hired in an insurance company – a low status private university to finish his course while working. We coded this sample into five categories: a) high school, b) undergraduate education, c) graduate education, d) PhD and e) working life².

4.1.3.2. Coding the professional set

¹ See P. 292 chapter 3.

² For more detail on these categories, see the methodological chapter.

Table 4.2 presents the variables coded for the professional sequence analysis. We know from the previous segment that professional advancement relies on a series of established hierarchies. We labeled these “professional positions”. In them we account for the “ways to the top” (markers of economic power in the business sector) described in Table 3.3. Starting from a) “low-level” rank-and-file jobs. We then coded for b) middle management positions, c) vice-presidential or executive positions and d) presidential positions. We also accounted for e) trainee or assistant to the presidency positions. Finally, as we included civil servants, we coded a category for f) major public economic positions. However, we also saw that in Venezuela, some agents started their careers in the public sector. We divided this public sector experience into g) ministerial, h) oil related and i) university related experience. Finally, we coded a category for j) paid survival positions in the economic world, usually advisory positions. Since we are talking of a world of wealth, these “survival positions” entail a loss of men power and organizational strength. They do not by any means signify poverty.

Variable	Code	Explanation	Abs freq
Professional Position	WOR	Manual Worker and low-level employee	20
	CE	Middle Management (Public or Private), responsible of a company at sub-national level, responsible of scientific fund, Cargo Captain	21
	AP	Assistant to the president, trainee, son in law	6
	VP	Executive position or Vice president position, head of a business branch (national responsibilities), Junior Associates in big consulting or Lawver firms.	19
	PRE	CEO's or country Representatives of Multinational Companies	22
	EF	Owner of a company with few stock-holders (law firm)	11
	HFE	Important Economic positions in the public sector : Public Fund president, Finance Ministers, Head of regulatory agencies	8
Test	ED	Education except PHD	37
	PU	PHD and Teaching assistant between Master and PHD	8
	MIN	State experience : Work for a ministry as Mid-level employee, technical collaborator for the national assembly, barrister for the supreme court	7
	OIL	Worked as mid-level employee in the oil sector	5
	TIN	Remunerated survival positions: Consulting, Board member, charities.	15

Table 4.2 Categorical codes for professional trajectories TraMineR

Before engaging into a systematic analysis of these careers, let us show what kind of data we will drive this chapter's analyses. Table 5.3, details the agents' professional trajectory. This is just a presentation of the raw data. A deeper analysis will produced below.

Agents are classified in alphabetical order. The institutional positions in the business word are ordered according to the professional hierarchy they entail. Let us take the Chas (6th line) example. He is the owner of a company in the agricultural sector. Between his high school and university, he studied for 10 years. He worked as a middle management employee before his family asked him

to preside over the family business. He has done so for 40 years. Contrary to the education data set where all lines measured 32 years, these examples' lines range from 32 to 68 years.

Moving away from this data presentation, this table confirms that we succeeded at selecting various economic elites. The first conclusion that we reach is that even at this aggregated level, few agents have similar professional trajectories. Coding 12 categories over a time lapse of 32 to 68 years, offers an in depth view and gives us the tools to at least escape a typical trajectory perspective. We will now find some regularities within this seemingly disorderly set of categorical variables.

Code	Wor	CE	AP	VP	PRE	EF	HFE	ED	PU	MIN	OIL	TIN	Agents Description
Aqu	5	5			15			13				24	Government contractor
Arc						27		10				5	President of a company of hardware pieces, Head of Business Association
Bad		1	15	15	5			13	1				Country representative of agribusiness Company
Ber	2	3		12	8		2	13				18	Ex-President Bank, Financial consultant
Blo	1	1			34			10					President of retail company
Chas		4				4		10					Owner of a company in the agricultural sector
Cia		11					2	15	14		6	14	Ex-President of a Publicly owned company
Cla	1	9		5	4			11					Country Representative for personal Higiene Company
Cos	3	1	6	1	4	6		13					Country representative for agribusiness Company
Dag	5			3	23			10					President of retail company
Dip	5	4		3	15			10					Country representative of technology Company
Fid		4					11	13	18	1		2	Head of regulation agency for the financial sector
Gag							8	16	4	13		8	Head of regulation agency for the financial sector
Gia	11			1	26			9					President of electric batteries company
Hel	9			7	4			10					President of an import company
Her	12			1		4		10				16	Owner of a company in the energy sector, Head of Business Association
Lar		12		2				12					Executive in agribusiness conglomerate, High position in Business Association
Lea		19		4				11		2		1	Vice President of Foreign energy company
Lel	1				23	3		11					President of catering firm
Mal		9				17	2	9			7	13	President of a former maritime transport company, Head of a political party
Men		1	1	5	17			10				15	Ex-President of Industrial conglomerate
MenR	2				35			16					President of construction company
Naz	4			1	15			14	4				CEO of various technology companies
Nd			5	11	2			18					President of a company in the Banking sector
Pea	1					3		9					Owner of a medium-size gas Company, Head of Business Association
Pev				16		7		12		5		4	Executive officer in a Business Association, previous partner at consulting firm
Pla		4		9	5			10	7		2	24	Ex-President of agribusiness, Board of agribusiness
Poc					2		4	10		2	8	31	Ex-High executive for Melting Company, Board of a bank
Pol	18	3				5		0					Owner of a medium-size automobile spare parts company, Business associations
Por		3					4	11	5	4	3	2	President of a Business Association linking foreign and National Companies
Rog	2		2		25	2		10		6		2	President of Melting Company, Head of Business Association
Saa	6				26			9					CEO of tubes company, Head of Business Association
Sos		4			36			10					President of construction company
Ull	6	4		11	4			13					State contractor, energy sector
Urb	11	5				22		11					Head of a mid-level State contractor
Ver		1					4	17	9				Head of a Public Fund
Vic			13		28			12					Vice President of Venezuelan energy company
Voll	3			9	7			12					President of trading company

Table 4.3 Years spent on each category of professional trajectory by agent (n=38)

Variable	Code	Explanation	Abs freq
Professional Position	WOR	Manual Worker and low-level employee	20
	CE	Middle Management (Public or Private)	21
	AP	Assistant to the president, trainee, son in law	6
	VP	Executive position or Vice president position	19
	PRE	CEO's or country Representatives of Multinational Companies	22
	EF	Owner of a company with few stock-holders (law firm)	11
	HFE	Important Economic positions in the public sector	8
Test	ED	Education except PHD	37
	PU	PHD and Teaching assistant between Master and PHD	8
	MIN	State experience : Work for a ministry as Mid-level employee	7
	OIL	Worked as mid-level employee in the oil sector	5
	TIN	Remunerated survival positions: Consulting, Board member, charities.	15

4.2. Educating a professional elite: the scholar trajectories of the Venezuelan Managers

4.2.1.1. *A reading game: finding Bolibourgeois*

Before presenting the empirical results, allows us to give some historical clarifications to contextualize the statistical analysis. 2002 was a difficult year for Hugo Chávez. In April, and December, different segments of the opposition of the time tried their chance at overthrowing him. The first was the – temporarily – successful coup d'état (April 2002). The second attempt was the oil strike (December 2002-January 2003). In a union and business association coalition, a part of the political opposition attempted to depose the Bolivarian government through a general strike (banking sector, oil sector, transports). Oil deliveries were blocked at the main ports; food chains of supplies were interrupted. In one of the less-know chapters of the Venezuelan socialist revolution, Chávez received help from second level businessmen.

One of them, Ricardo Fernandez Barruecos was responsible for solving the food shortages. He was a Barinas' – Chávez home state – businessman. There he owned parking concessions with his family company. However, before the chavista era, he had worked in food transporting deals for the state. He had been a distributor to the Casa markets. These were subsidized stores built in the 1990's to ease the effects of structural reforms. The parking concessions were attributed by the governor of the State whom in the early 2000 was Chávez' father. Therefore, Fernandez Barruecos had personal relations with the Chávez family. He had helped Chavez Sr. with a food shortage crisis in the year 2000. Naturally, when most Caracas businessmen were occupied in paralyzing the economy, they called for "men of the interior". The government gave Fernandez Barruecos unlimited credit to buy the stock of trucks in the country's cars assemblers. These were not sold since the country's economy was at a stop. He associated with Walid Mackled whom, rapidly, help him organizing distribution lines. Makled latter proved to be a convicted drug lord. Henceforth an expert in distribution under pressure. They succeeded at shipping the goods to the country. Tales of the time insist on the strange products that could be found during the *paro*; the general strike. These unfamiliar brands were the result of a frenzied attempt by these two men to put their hands on the stocks they could find all over Latin America¹.

¹ Interview Economic Journalist

The second of these men is Willmer Ruperti. He had a traditional career in the maritime transportation world. He had tried to secure shipping contracts with PDVSA in the 1990's with mitigated success. For the anecdote, he had personal proximity with the Movimiento al Socialismo leading figures in the 1990's. He even paid for the bar of one MAS' communication *eminence grise*¹. He had experience in oil shipping. In 2002, strikers in the national oil company stranded oil cargos (the most famous was the Pilín León) in the bay of Maracaibo. This left the country without oil supplies. The government asked for Ruperti's help. Oil employees were confident that Chávez' men did not have the necessary skill to move those ships. Wilmer Ruperti knew how to do so. He also paid for the first oil cargos into the country. It was insufficient for replenishing the country's needs. However, it helped Hugo Chávez avoid a complete chaotic situation.

The 2002 oil strike was a milestone. Both for Hugo Chávez and for these two men. Hugo Chávez understood he needed to have a hold over the food and oil distribution lines. The first idea created the Mercal Mission. It was a publicly owned chain of subsidized food supplies for lower income Venezuelans. Fernandez Barruecos received state contracts that gave him the monopoly of corn distribution to the state chain. In 2006, almost 13 million Venezuelans used Mercal. Fernandez Barruecos begun to be known as the Czar of Mercal. The second idea (to take control over oil distribution) handed the entirety of the public oil distribution to Willmer Ruperti for ten years. Both of these massive state contracts cemented these men's wealth. The phenomenon that led small businessmen to become large economic moguls for political reasons, was referred to as the advent of the bolibourgeoisie. Both these men – extra officially – hit the billion-dollar mark in assets. A similar event occurred when, during the 2011 electricity crisis, the government bought a series of General Electric turbines to a front company called Derwick².

The aim of this chapter is to separate the trajectories of the bolibourgeois from that of the others businessmen. As we saw before, our sample contains a series of current and former state contractors. If they did have noticeably different careers, we could argue of the existence of a group of nouveau riche state sponsored economic elites. However, the only way to account for their particularities is to compare them to other businessmen's trajectories. Let us first begin with the education of these businessmen.

¹ Informal discussion.

² BATIZ C., « Cable Pelao' en la electricidad », *Ultimas Noticias*, 07/08/2011 p.

1.2.1. An educated professional elite: finding clusters of education paths

The education of the business elites operating in Venezuela is not bound by a straightforward path. Contrary to the view that insists on the importance of international pathways our data shows that, international, or internationally tainted education represent but a segment of the education menu that economic elites can choose from. To make sense of these available paths we computed the similarities between the careers of these agents. For this, we relied on a cluster analysis of categorical sequence data. First, we will present the education trajectories of the business elites. Secondly, we cluster this first educational set. Then we will characterize these clusters. In line with our hypotheses, we will show that striding one avenue in this array of possible educational paths limits the types of available companies in which business elites end up working. To read our graphs systematically consult the codes p.203.

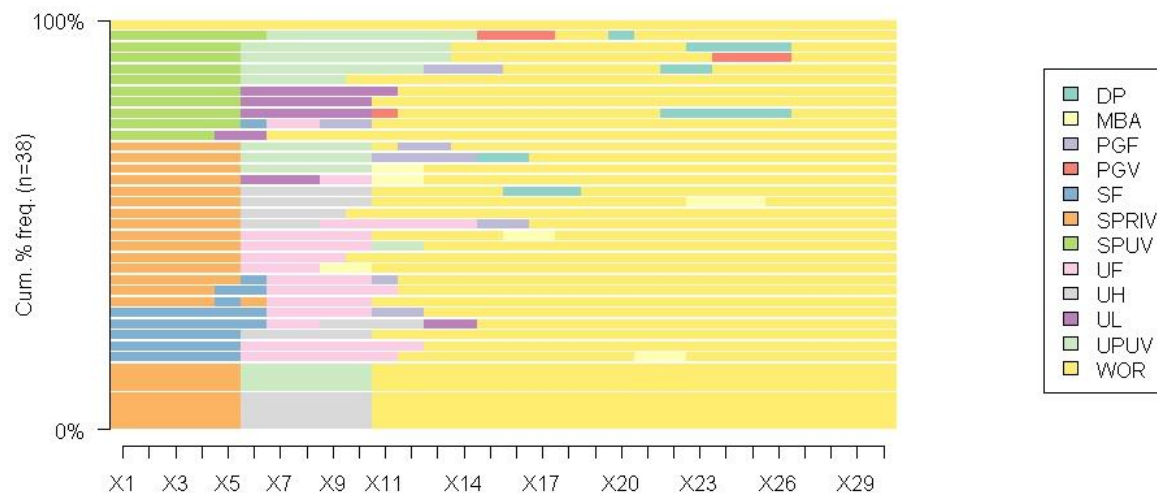


Figure 4.1 Educational trajectories of the business elites in set colored by the frequency of categorical data

We will introduce this education trajectory analysis with an overview of the careers of the agents in our set. Figure 4.1 describes the education al trajectories of the 38 agents in our set. This first outlook brings forward some interesting results. First, except for one agent that did not go to high school, most study for between 5 and 6 years. Subsequently they go the university for 5 or 6 more

years. Some even try to conclude MBAs and PhDs. However, most of the agents in this sample started working after 9-10 years of education (counting high school and university). This is not minor. In a country where only 100.000 students graduate each year from university with an undergraduate diploma, this group represents a sizeable elite¹. Secondly, three entry points emerge. Agents in this sample either begin their scholar trajectories in low-status high schools, high-status high schools or foreign high schools. It is important to say that almost 60% of the agents go to high-status high schools in Venezuela. This point is important, because it reveals that the vast majority of the agents in this sample have Venezuelan, nationally framed, elite formations.

This picture is more complex at the undergraduate level. Some go to public universities, others to high status private universities, some to low-status private universities and others to foreign universities. However, agents that went to high-status universities chose either public universities, low-status universities, or foreign universities. We made sense of this complexity at the undergraduate level with a cluster analysis

1.2.1.1. Describing the clusters: national/international and high-status/low-status educations

Figure 4.2 presents a cluster analysis of the education data set². We chose to divide this sample into five clusters³. With six, we did not obtain substantially more information and with four groups, we had a cluster with 22 agents.

¹ Red de indicadores de ciencia y tecnología iberoamericana <http://db.rieyt.org/query/AR,BO,BR,CA,CL,CO,CR,CU,EC,ES,GT,HN,JM,MX,NI,PA,PE,PR,PT,PY,SV,TT,US,UY,VE,AL,IB/1990%2C2012/CGRADO>

² We performed a hierarchical cluster of these data using the ward method. This classification method allows maximum interclass inertia: which is the same as minimum intra class inertia. This means that the groups are as far as possible from other groups. TraMineR helpbook

³ See the hierarchical tree in the annex

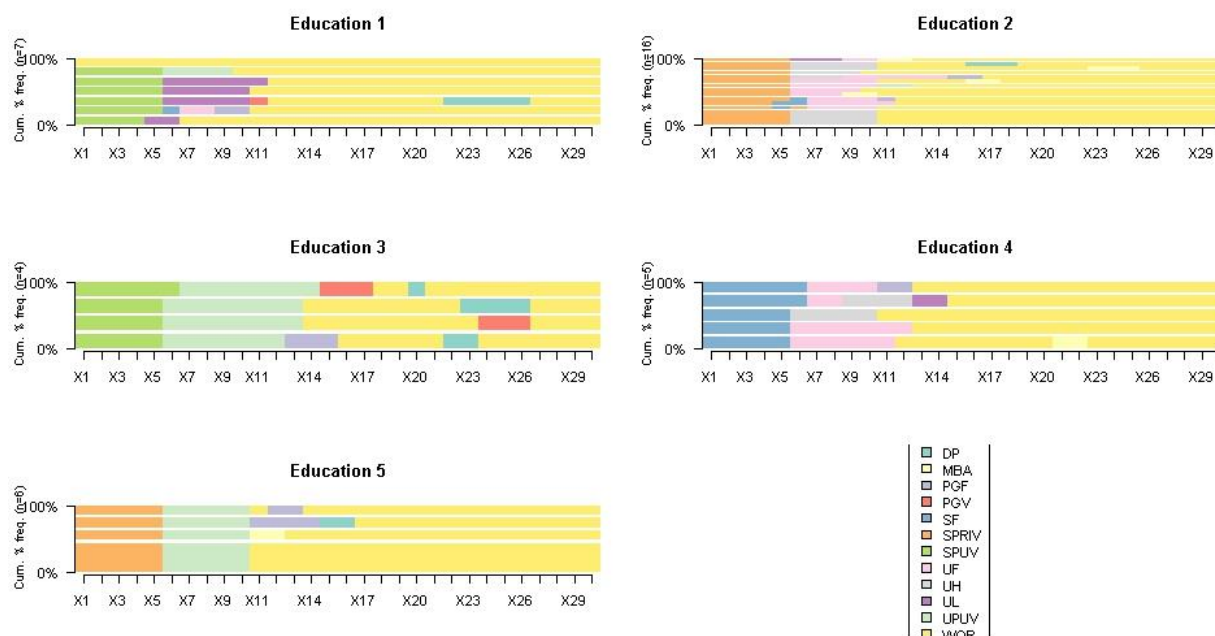


Figure 4.2 Educational trajectories of the business elites in set separated by clusters (5), colored by the frequency of categorical data

This cluster analysis clarifies the complexities of the post-high school level in figure 4.1; corroborating previous results. The three entry points remain. First, a group attend low status high schools (first entry point). Clusters 1 and 3 present agents with low-status high school education. From there, they embark in two different university paths. Agents in cluster 1 go to low-status private universities whereas agents in cluster 3 go to public universities. Interestingly, agents in cluster 3 have longer studies than other groups. Additionally, they at least try to secure PhDs. The second entry point is high status high schools. Agents in cluster 2 and 5 both go to high-status high schools. From here, as well, several paths are available. First, agents in cluster 5 – that went to high-status high school – go to public universities. On the other hand, agents in cluster 2 embark in studies that lead them either to high status universities in Venezuela or to international universities. The last entry point is international high schools. Agents in that cluster (cluster 4), have mostly international education, going from foreign high schools to foreign universities. It is important to say that only five agents in this sample have a predominantly foreign high school education. This confirms that this sample is a display of mostly national economic elites.

1.2.1.1.1. National paths to elite positions

Focusing on the national educations, we still see that elites can choose from multiple available possibilities. The first is an exclusively national path. These agents are in clusters 1, 3 and 5 (n=17). Even if agents in cluster 3 usually conclude their PhDs in foreign countries. However, the importance of international paths should not be overstated since only half of agents in cluster 2 study abroad. Therefore, one third of the agents in our sample go to international universities. Furthermore, this sample allow us to argue that behind “national-careers” lies a multiplicity of available paths. The semantic shortcut that supposes that “non-international” careers are “national”, compresses a larger empirical reality.

1.2.1.1.2. An economically-oriented and a low-status education

Figure 4.3 schematizes these national paths. In this graph of distinctive states, each line is an individual. The case represents the number of steps it took an agent to get to the position he or she was occupying when we interviewed them. The maximum number (6 in this case) sets the longest pathway. For instance the violet line in the first cluster represent Cla’s trajectory. He first studied in a high school in the interior of Venezuela, and then went to a European high school, then to a European university. Finally, he did his master in Europe before he started working.

	National		International
	+	+-	+
High Status	5ed	2ed	4ed
Low Status	1ed	3ed	--

Table 4.4 Education cluster by status and exposure and international education

This graph is a representation of a structure that allows for three entry points and five roads. An understanding of cluster 3, 4 and 5 reach a similar interpretation than that obtain with the frequency graph. However, this of distinctive states, unveils the characteristic of the clusters 1 and 2, which are more complex to analyze. Agents in cluster 1 go to public high school and to low-status universities in Venezuela. These men have the least prestigious educations in this sample.

Agents in cluster 2 go to high-status high schools in Venezuela. Despite the heterogeneity at the undergraduate level, these agents concentrate the MBA studies in foreign countries. Cluster 2

concentrates the agents in this sample that go through educations specifically directed to rule over the economic world. This cluster groups the agents that went through what we could call the endogenous selection structures of the Venezuelan business world. Where agents study careers framed in the national economy to rule over the Venezuelan business world. Table 4.4 summarizes our interpretation.

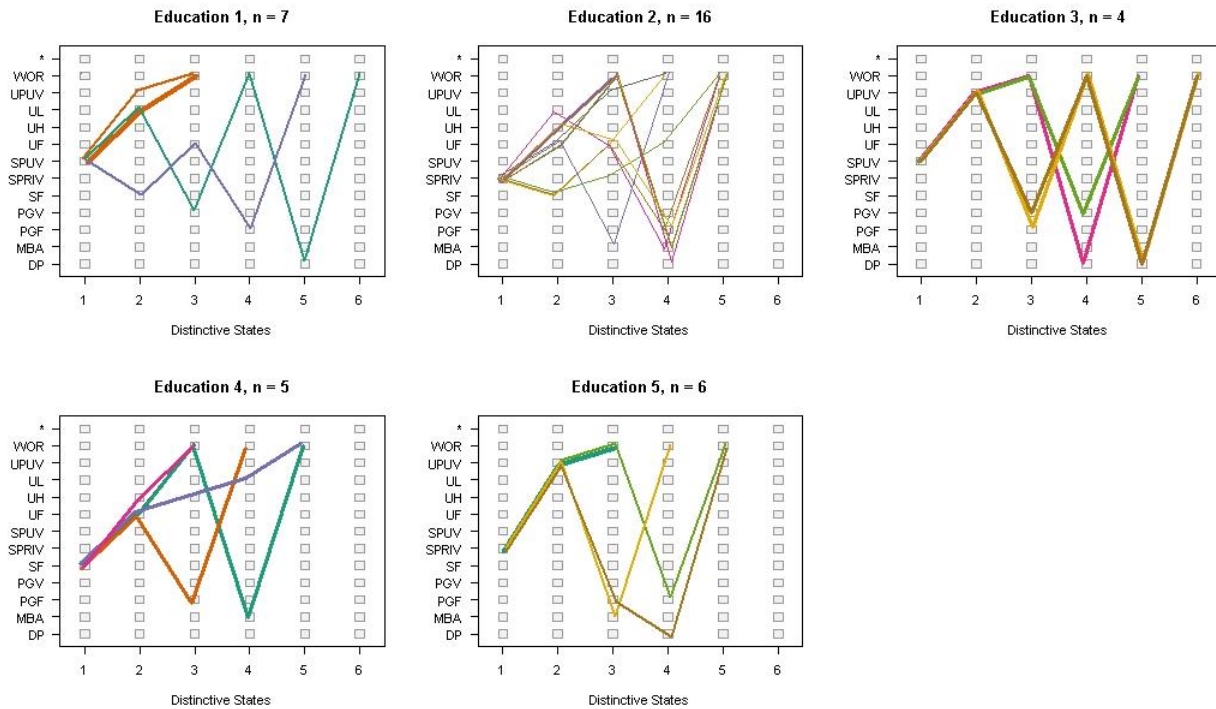


Figure 4.3 Distinctive states separated by cluster (5), n=38

From these five clusters, however we also see that these encompassing analytical categories are complex. It is important not to read these groups as absolute structures in the social world. As for every classification modeling, frontiers in this sample are blurry. However, they do deliver a simplified image of a complex reality. Reasoning in this abstract form is central to engage in fruitful dialogue with other theoretical perspectives. It is relatively simple to find complexity and heterogeneity in social qualitative samples. It is even simpler when our aim was to find a group as heterogeneous as possible. However, if complexity remains in spite of this aggregative effort we will stand on strong basis to refute other theories.

1.2.1.2. Educational paths and professional specialization

Having characterized the clusters, we will now identify the particularities of the agents located in them. To do so, we identified the most prevalent variables in each cluster with a hypergeometric test using the variables coded in the methodological appendix (Table 4.5). These results outline a triple set of characteristics shared by agents in each clusters: educational, linked with social status and professional.

In line with the previous analyses the first set of scholar results are expected. Agents located in the cluster 1 and 3 went to low status high schools; and to public universities for agents in cluster 3. Agents in cluster 2 and 5 went to high-status high schools in Venezuela and then respectively to high-status private universities and public universities in the country. Finally, agents in cluster 4 went to high school abroad.

However, a second set of result show that agents that strode each of these available education roads, also have different social characteristics. These oppose clusters agents with low-status educations (ed1 and ed3) to the others. Agents in Cluster 1 do not play tennis, polo nor golf. Furthermore, agents in cluster 3 couple their low-status – they do not attend social clubs – with a political affiliation – they define themselves as left-wingers. On the other hand, agents in the high-status cluster 2, are characterized by a series of underrepresented variables that clearly echoes agents in cluster 3. They are not characterized by not belonging to a social club, nor did they reported not practicing sports; none of them defined themselves as being left wing. Similarly, agents in the international cluster 4, practice polo, tennis or golf and have parents from the proper milieu: they were industrialists or landowners¹.

Finally, and most importantly to the verification of our argument, the educational trajectories match the characteristics of the businesses in which agents work. Agents in clusters 1 and 2 work for family owned companies. Although agents in cluster 1 engage with relatively smaller companies and agents in cluster 2 preside business associations.

¹ Agents in cluster 5 are not characterized by social variables.

	Variable	Attribute	Explanation	% of Class with Attribute*	% of Attribute in set**	% of Attribute in class***	P-Value	n
Cluster1 n=7; 30,17,95%	+ Undergraduate	ULPriV	Low-status Private University	71,43	17,95	71,43	0,00	7
	- Secondary education	SPriV	High-status High School	14,29	56,41	4,55	0,02	22
	- Sport	DSOC	Tennis, Golf, Polo	0,00	41,03	0,00	0,02	16
	- Size of Company	L	More than 1000 employees	0,00	48,72	0,00	0,01	19
Cluster2 n=16; 46,03%	- Secondary education	SPriV	High-status High School	93,75	56,41	68,18	0,00	22
	- c4prof	2	Professional cluster	50,00	23,08	88,89	0,00	9
	+ Undergraduate	UHPriV	High Status Private University in Venezuela	43,75	20,51	87,50	0,00	8
	- Career	FamV	President of a Business with few stockholders	75,00	48,72	63,16	0,01	19
	- Business Association	UPCHAM	President of Business Association	43,75	23,08	77,78	0,02	9
	- Sport	DNA	No sport	6,25	25,64	10,00	0,02	10
	- Clubs	CNA	No club affiliation	6,25	25,64	10,00	0,02	10
	- Political position	LEFT	Left Wing	0,00	20,51	0,00	0,01	8
	- Secondary education	SPubV	High Status High School in Venezuela	0,00	23,08	0,00	0,00	9
	- Undergraduate	UPubV	Public University in Venezuela	0,00	28,21	0,00	0,00	11
Cluster3 n=4; 10,26%	- State as Client	ETA	Works with the State	100,00	12,82	80,00	0,00	5
	- Ownership structure	TE	Works for the State	100,00	15,38	66,67	0,00	6
	- Career	Gvt	Government	75,00	7,69	100,00	0,00	3
	- Position politique	LEFT	Left Wing	100,00	20,51	50,00	0,00	8
	+ Secondary education	SPubV	Low Status High School in Venezuela	100,00	23,08	44,44	0,00	9
	- Clubs	CNA	No club affiliation	100,00	25,64	40,00	0,00	10
	- Business Association	UNA	No participation in Business association	100,00	25,64	40,00	0,00	10
	- Undergraduate	UPubV	Public University in Venezuela	100,00	28,21	36,36	0,00	11
	- Secteur	SETA	Works for the State	75,00	12,82	60,00	0,00	5
	- c4prof	3		100,00	30,77	33,33	0,01	12
Cluster4 n=5; 12,82%	- Secondary education	SF	Foreign Secondary education	100,00	17,95	71,43	0,00	7
	+ Sport	DSOC	Tennis, Golf, Polo	100,00	41,03	31,25	0,01	16
	- Parents social position	PHIND	Big Industrialists and land owners	60,00	12,82	60,00	0,01	5
	- Business Association	UCHAM	Participates in Business Association	60,00	15,38	50,00	0,02	6
	- Secondary education	SPriV	High-status High School	0,00	56,41	0,00	0,01	22
Cluster5 n=6; 15,38%	- Graduate	UPubV	Public University in Venezuela	100,00	28,21	54,55	0,00	11
	+ Career	ExecV	Executive of Venezuelan major firm	66,67	23,08	44,44	0,02	9
	- Secondary education	SPriV	High-status High School	100,00	56,41	27,27	0,02	22
	- Career	FamV	President of a Business with few stockholders	0,00	48,72	0,00	0,01	19

* 71% of Agents in Cluster 1 have attribute ULPRIV

** 18% of Agents in set have attribute ULPRIV

*** 71% Of Agents with ULPRIV are in class 1

Table 4.5 Hypergeometric test to characterize education cluster with over and underrepresented variables in set n=38

On the opposite spectrum of the private sector, agents in cluster 5, work for Venezuelan corporations, and not for small companies. Finally, on the public end of this professional range,

agents in cluster 3, not only define themselves as left wing, but also work for the state and have never participated in business associations¹. Further proving our point, agents in cluster 2 and 3 are over represented by professional clusters we will describe below. This hypergeometric analysis leads us to conclude that not only do multiple educational ways exist; they are also strode by different type of agents. These differentiated (i.e. specialized) personas, lead their professional endeavors towards different types of companies.

This result proves our first hypothesis. We find that educations are linked to the specialization of the business elites, which are selected by different types of companies. We find that at least five “education roads” were available to agents with positions of power in the economic world. Nonetheless, their point of entry at the high school level harnessed their subsequent choices. For instance, agents with low-status high school studies did not engage in international studies or went to high-status private universities. Furthermore, this outcome complicates the pole approach that observes a fundamental distinction between foreign and national educations. This opposition does not exist as such, as national educations takes multiple forms. It also debates with the crony capitalist approach. We see that education matters to accessing positions of power in the business world in a country where only 100.000 students graduate per year.

We will now proceed to demonstrate our second hypothesis, which is that different types of companies select their predicted agents in various ways. These multiple processes of selection differentiate the economic world in Venezuela. For that, we will conduct a cluster analysis on the professional sequence data set present above.

“Chavists are bad students”.

During our fieldwork, we were confronted with a frequent critique on chavists. We come from a family with important ties to the Venezuelan university world. Therefore, several of our recurrent interlocutors had taught, or worked with high-ranking civil servants. Informally, a consensus existed on the intellectual qualities of their former students. Most were labeled “bad students”. This was baffling to us. Several *chavist* had either civil or military higher education degrees. Most had even Masters Degrees in a country where higher education is less frequent than in Europe.

¹ Agents in cluster 4 are not defined by professional characteristics.

Furthermore, most of the *chavists* in our sample have PhDs. This meant that they at least had some scholar skills.

Figure 4.2 helps us understanding this qualitative conundrum. Agents in cluster 3 have noticeably longer educations at the university level than the rest of the agents in the sample. This might be a consequence of their early political engagements. Furthermore, none went into a PhD track right after their university. They first worked for some years mostly as university professors and then concluded their education. In a time where state funding was available, they were not the first choices for public-financed grants. The university system is one where proficiency is linked to the rapidity with which an agent finishes his course. Teachers might very well have coded these extremely long and “erratic” careers as being those of bad student. As agents in this sample graduated in mathematics and chemistry, we do not have technical knowledge to objectify if they were empirically less qualified than others. However, we do have a method to understand why they were disregarded.

1.3. Professional pathways to elite positions: short-term and long-term selection processes

1.3.1. A critique of the state-centered approach of elite selection

Having showed that the multiple available education paths, lead business elites to rule over a diverse set of companies. We will now show that each of these companies prefers a different method to select the business elites-to-be. This in turn will reveal an economic structure in which each type of company imposes the selection model it desires. This assertion that runs counter to a view that put the “state incentives” as an hegemonic force at the center of the selection process of business elites. This view is not foreign to Venezuelan authors working on the wealth accumulation of the happy few, as most agree on the importance of state action to access economic power. Coronil gives perhaps the clearest example of this type of perspective. Using a Marxist frame he argues: “In Venezuela class struggle concentrated on the state. Its primary focus was not the appropriation of the nationally produced added value, but the appropriation of the oil rent”¹. Coronil even adds that the state was the *bourgeoisie*’s principal source of income². This academic view has a strong echo in the business world. One of our informant comments on our work was, “You will surely find that at some point in their family’s history they all benefited from the state”. The country representative of a defense multinational in Venezuela replicated this comment.

Despite this vast common sense consensus on the role of the state, there are few academic studies on the professional trajectories of the Venezuelan economic elites. Authors³ prefer to concentrate on the strategies of the business elites rather than on the path that led them to positions of power. The only study we found on the Venezuelan economic elites dates back to the 1960’s⁴. Their data is extremely rich, however, since they performed computer analyses in the 1970’s their results only allowed for extremely aggregated data. Franck Bonilla working with the Cendes team (Centro de Estudios del desarrollo – Center for development studies) found that most economic elites in Venezuela presided over their family’s companies. However, some also had careers in the oil corporations in the country. In both these paths, Bonilla said, these men waited for long years

¹ CORONIL F., *The Magical State*, *op. cit.*, p. 251.

² *Ibid.*

³ NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas*, *op. cit.* ; PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

⁴ BONILLA F., *The Failure of Elites*, *op. cit.*

before having access to presidential positions. For those working in the family businesses they had to wait for their – mostly – fathers' demise. For those working in the oil sector, they had to climb the corporate ladder. However, despite having unearthed these long careers, the cendes team did not dig further in describing them. We do not have the cendes team men-power, but we do have statistical methods to account for these long careers in the economic world.

1.3.2. The professional careers of the economic elites

In what follows we will propose an analysis for the set on professional careers in the economic world. Here we show that current business elites stride a multiplicity of available professional selection paths. This makes for an extremely varied business world in which agents in positions of economic power are legitimized by different validating mechanisms. This proves that specialized companies entrench their specialization by selecting their favorite business elites in ways that are not similar as that of others. Thusly contributing to segmenting the business world.

1.3.2.1. Business elites' professional career heterogeneity

The analysis of professional careers is much more complex than that of educational paths, as a first glance at figure 4.4 reveals. It shows the professional trajectories of the business elites in the set. Therefore, far from the common sense notion linking every career to the state, the business world in Venezuela tolerates for a multiplicity of professional experiences. Despite this heterogeneity, a first analysis brings forward some interesting results. First, agents engage into 10-14 years of education. Secondly, after this discernable boundary, agents take extremely diverse roads. Some work, some take middle management positions. Others take jobs in the oil industry or the ministries. Finally, they finish their careers in either presidential positions, at the head of their own firms or in board positions.

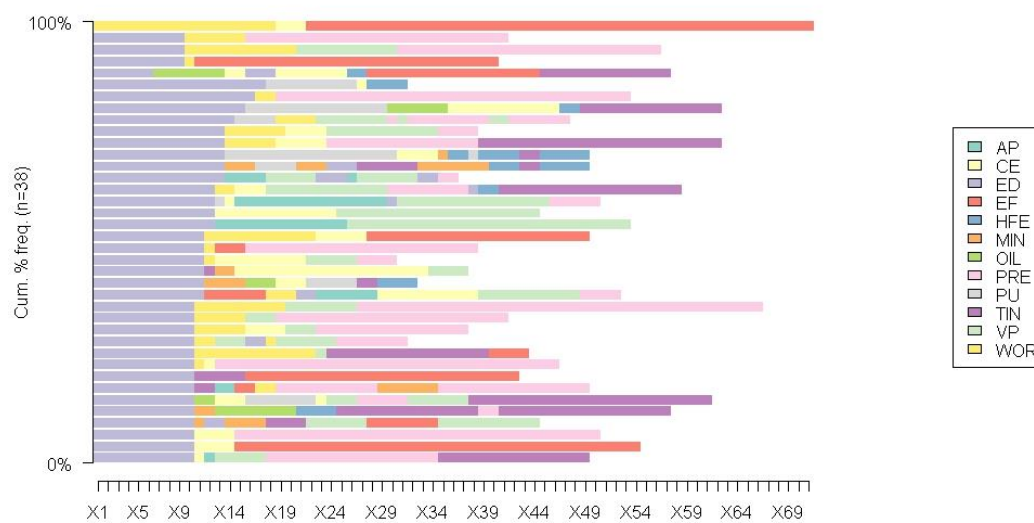


Figure 4.4 Professional trajectories of the business elites in set colored by the frequency of categorical data, n=38

To make sense of this complexity we performed a cluster analysis¹. We divided this sample into four clusters. Before zooming in further on these careers, we see that age is not a fundamental factor in the definition of these groups. Even if Cluster 4 is slightly younger than the others are. This is important to clarify since the lines in this data set did not have the same length.

1.3.2.1.1. Four pathways in the business world.

This cluster analysis clarifies the heterogeneity found previously. Figure 4.5 show the professional trajectories of the business elites in our set separated by clusters. This clustering clarifies the analysis. However it still delivers an extremely hazy sketch.

¹ Using the ward method. This method allows to build groups that are the farthest possible from each other.

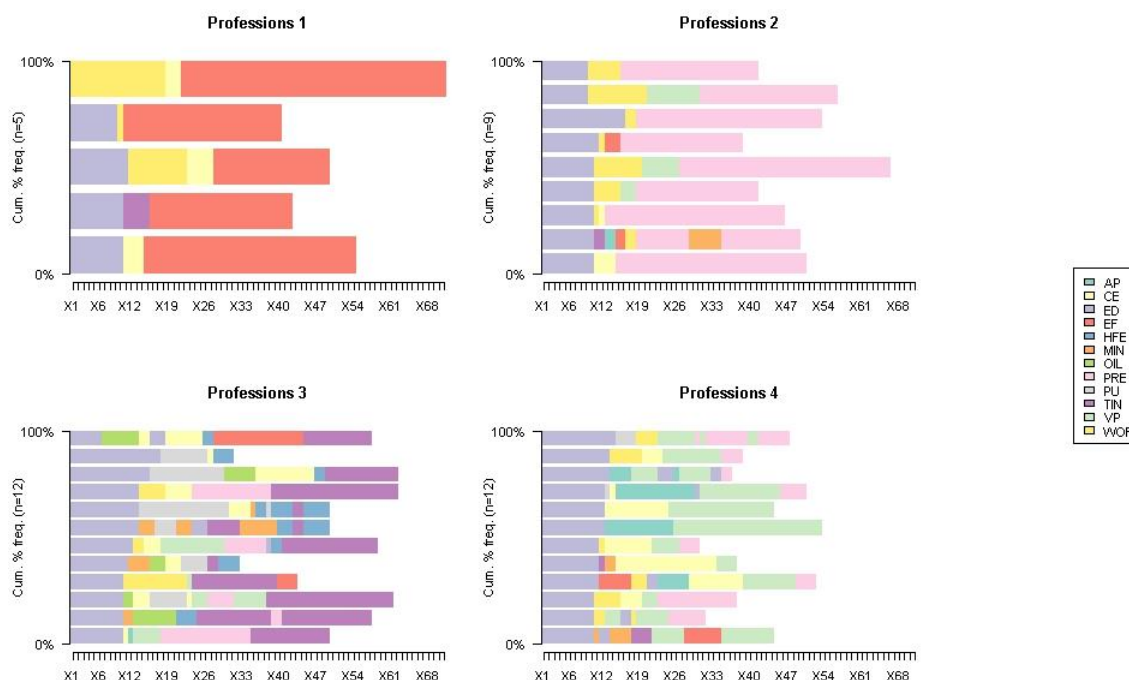


Figure 4.5 Professional trajectories of the business elites in set separated by clusters (4), colored by the frequency of categorical data, n=38

Agents in cluster 1 occupy long-term positions at the head of their own companies (family companies). However, they only reached presidency positions after acquiring some experience in the business world in either advisory positions or middle management positions in other firms. Agents in cluster 2 seat for long-term periods in presidential positions; this is so only after 5-10 years of relatively short middle management experiences in theirs or in others companies. Agents in cluster 3 work for long periods in consulting companies. Agents in cluster 4 are more complex to analyze. They occupy longer vice-presidential positions and some of them are assistant to the president.

1.3.2.1.2. Corporate careers, family businesses and the state markets.

Figure 4.6 ratifies the previous interpretation on Clusters 1 and 2. Cluster 1 groups agents that preside over family businesses. Agents in cluster 2 rapidly occupy the presidency of companies with more complex corporate structures. However, this figure clarifies the blurry interpretation on

clusters 3 and 4 presented above. This graph shows the average time spent by agents in each cluster on each category.

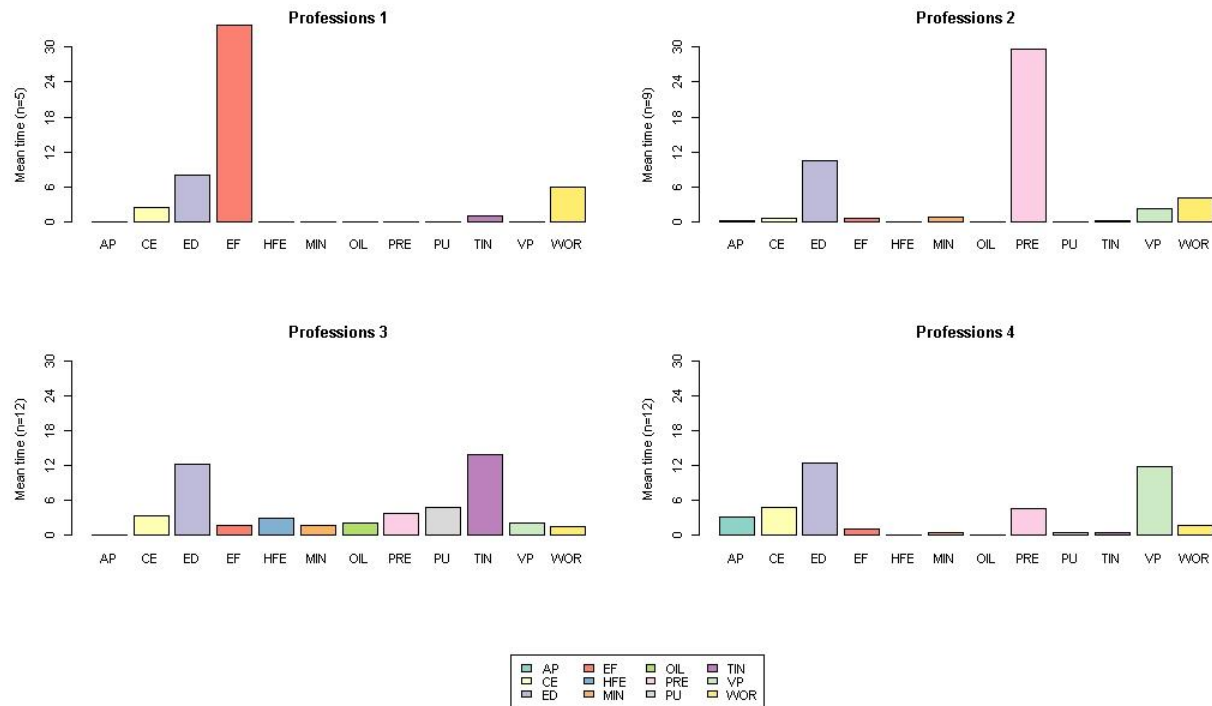


Figure 4.6 Average time by agent in professional set spent on category, separated by cluster (4), n=38

This graph of average time by category shows that agents in cluster 3 work or worked in the state economic market¹: the economic space that knits state contractors, public officials and para-public organizations. The most prevalent characteristic in this cluster is that, agents spent, in average, 15 years in advisory positions. However, agents in this cluster also begun their careers in the public sector. Their careers started in economic ministries, professors' positions and the oil industry. Furthermore, some of these agents even had access to the most prestigious public economic positions. This did not prevent some agents in this cluster to preside over private companies. This cluster is of particular interest. It is characterized by the number of agents working in what we referred to as "survival positions". Furthermore, most agents occupy such position at the end of their careers. This signifies that these agents finished their economic life outside of the positions

¹ Described in chapter 3:.

that made them economically powerful in the state market. This is why we referred to these as survival positions. The public economic sector is extremely sensitive to the political transformations. This makes an extremely unstable path. This is why most agents find survival positions. Whenever they are forced to step down from the presidency of their companies, they have to find advisory positions. Agents in this cluster are both former and newer agents in the state economic sector. Therefore, within our sample the unstable nature of the state economic sector has not fundamentally changed.

Finally, an analysis of figure 4.6 shows that agents in cluster 4 have long-term corporate careers. This is the only cluster not to be characterized by a major variable. Agents in this group spent some time in middle management positions (6 years on average) in vice presidential positions (12 years on average) and as assistant to the presidency (4 years on average). Then they occupied the presidency of their companies for an average of 6 years. These agents climb the corporate ladder. Therefore, this cluster presents agents that go through what we referred to in chapter 4 as a machine for structural equivalence.

1.3.2.1.3. Long term and short-term careers

Digging on this idea of long-term careers, we built figure 4.7. It presents a chart of distinctive states of the careers of agents in this set by cluster. This graph shows that there are two types of careers. The first type are short careers; that we will refer to as short-term in opposition to long-term careers. Clusters 1 and 2 present such trajectories. Out of ten possible steps, agents in cluster 1 took two steps (education and working experience) before presiding over their companies. Similarly, except for Rog (the long line in prof 2) agents in the second cluster occupy presidential positions after three or four steps. These agents go from the university to their own companies.

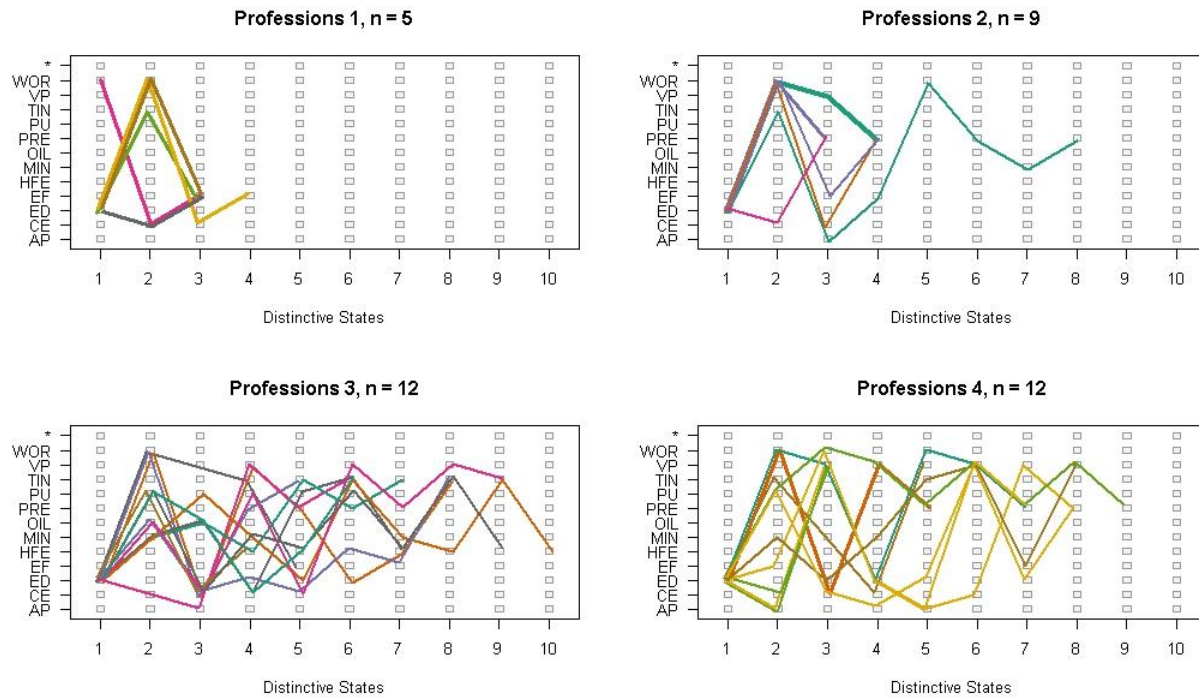


Figure 4.7 Distinctive states in professional careers separated by cluster (4), $n=38$

There is a second type of hat we will call long-term careers. These involve much more variation. Agents in cluster 3 and 4 go through these trajectories. In cluster 3, agents begin their working life either in rank-and-file positions, as university teachers or in the ministries. What characterizes their careers, however is that agents leaped from several positions during their careers. There are 12 agents in cluster 3; seven agents went through seven different jobs and six through eight. The same can be said about cluster 4. Out of 12 agents, five changed jobs seven times. Concerning long-term, corporate careers, it is important to stress that these are aggregated categories. For instance, in Cla's career, middle management positions meant four distinct rises in his company; and what is more four geographical transfers. Table 6 summarizes our interpretation of the clusters presented thus far.

	Corporate	
	-	+
Short-term	1 Prof	2 Prof
Long-term	3 Prof	4 Prof

Table 4.6 Summary of professional careers by short-term and long-term and the existence of a corporate structure of selection

This result confirms our second hypothesis. We argued that there are several professional paths in Venezuela to access positions of economic power. We found two types of careers: long-term and short-term. Short-term careers are fast tracks in the economic world to rule over either family businesses or more complex businesses, in terms of stockownership. However these short-term careers accept agents that have already been selected by the scholar system: soon after university they are leading their companies. On the other side, long-term careers select agents on a different basis. Adding to the scholar selection, long-term careers impose a second professional screening. Careers in the state economic sector does so by “selecting” those that survive its natural unstable logic. Corporate careers, select agents by promoting within their ranks. We should now be able to prove that these multiple logics of selection match the type of companies that prefer them.

1.3.2.2. Professional careers and educational backgrounds

Finally, the ability of a specialized company to rely on a specific type of selection – one that prefer specific educational backgrounds – depends on the assets it can muster. To prove this we performed a hypergeometric test on the clusters in our professional set against the variables coded in the methodological appendix (Table 4.7). This table replicates and reinforces the result found in table 4.5. First professional pathways – defined by professional clusters – fits business elites’ educational background. Furthermore, professional trajectories develop within extremely specific types of companies; characterized in this table by the variable “ownership structure”. This variable identifies the number of potential stockholders in a company.

First in terms of education, each professional cluster match an educational pathway. On the one hand agents in cluster 2 and 3 fit the educational clusters calculated above. Respectively, Agents in cluster 2, had education in cluster 2 (endogenous selection structures in the private sector) and agents in Cluster 3, had cluster 3 educations (public high schools and public undergraduate studies).

On the other hand, graduate diplomas characterize agents in cluster 1 and 4. Agents in cluster 1 do not have graduate studies and agents in cluster 4 have foreign graduate degrees.

	Variable	Attribute	Explanation	% of Class with Attribute*	% of Attribute in set**	% of Attribute in class***	P-Value	n
Cluster1 n= 7; 30, 17,95 %	Clubs	CL	Low Status Club	60,00	10,26	75,00	0,00	4
	Sport	0	No information on Sport	60,00	12,82	60,00	0,01	5
	+ Graduate	PGNa	No Graduate Studies	100,00	43,59	29,41	0,01	17
	Ownership Structure	TPA	National Company with few stockholders	100,00	46,15	27,78	0,01	18
	Career	FamV	President of a Busines with few stake holders	100,00	48,72	26,32	0,02	19
Cluster2 n= 16; 46,03 %	c5ed	2	Educational Cluster	88,89	41,03	50,00	0,00	16
	Ownership Structure	TPA	National Company with few stockholders	88,89	46,15	44,44	0,00	18
	+ Career	FamV	President of a Busines with few stake holders	88,89	48,72	42,11	0,01	19
	Business Association	UPCHAM	President of Business Association	55,56	23,08	55,56	0,02	9
	Sector	SCOM	Commerce	55,56	23,08	55,56	0,02	9
Cluster3 n= 4; 10,26 %	Ownership Structure	TE	Works for the State	50,00	15,38	100,00	0,00	6
	State as Client	ETA	Works for the State	41,67	12,82	100,00	0,00	5
	Sector	SETA	Works for the State	41,67	12,82	100,00	0,00	5
	+ c5ed	3	Educational Cluster	33,33	10,26	100,00	0,01	4
	Secondary education	SPubV	Low Status High School in Venezuela	50,00	23,08	66,67	0,01	9
	Career	Gvt	Government	25,00	7,69	100,00	0,02	3
	Parents' nationality	PMIX	One of parents was Venezuelan	25,00	7,69	100,00	0,02	3
	Diploma	LAW	Major in Law	33,33	12,82	80,00	0,02	5
	Sector	SCOM	Commerce	0,00	23,08	0,00	0,02	9
	Business Association	UPCHAM	President of Business Association	0,00	23,08	0,00	0,02	9
	Ownership Structure	TPA	National Company with few stockholders	16,67	46,15	11,11	0,02	18
	State as Client	VNA	Does not do business with the State	0,00	30,77	0,00	0,00	12
Cluster4 n= 5; 12,82 %	Ownership Structure	TMUL	Works for Multinational Companies	50,00	15,38	100,00	0,00	6
	Career	ExecF	Executive of a Multinational Company	58,33	20,51	87,50	0,00	8
	+ Graduate	PGF	Foreign Graduate Studies	75,00	43,59	52,94	0,01	17
	Parent's studies	PUNI	Prents with university education	75,00	46,15	50,00	0,02	18
	Sector	STEC	Telecommunications and tecnology	25,00	7,69	100,00	0,02	3
	- Secondary education	SPubV	Low Status High School in Venezuela	0,00	23,08	0,00	0,02	9
	- Ownership Structure	TPA	National Company with few stockholders	16,67	46,15	11,11	0,02	18
	Career	FamV	President of a Busines with few stake holders	16,67	48,72	10,53	0,01	19

* 60% of Agents in Cluster 1 have attribute CL

** 10% of Agents in set have attribute CL

*** 75% Of Agents with CL are in class 1

Table 4.7 Hypergeometric test to characterize professional clusters with over and under represented variables in set n=38

More interestingly, these professional clusters are associated with the type of companies in which these agents work. Agents in cluster 1 and 2 work for family-owned companies and companies with few stockholders. Agents in cluster 1 are not integrated to the social world of the business elites (attend low-status clubs); whereas agents in cluster 2 rule over business associations. Going beyond this social parenthesis, we see that agents with short-term careers tend to work in companies with few stockholders. These are not necessarily smaller companies (in terms of number of employees), they are however associated with few core families. Therefore, these short-term careers lead agents with business-oriented educations to rapidly rule over companies concentrated in few hands.

Continuing the analysis of agents in professional clusters, agents in cluster 3 work for the state economic sector. This sector is particularly interesting as agents in this cluster check all the boxes we coded for insinuating a relationship with the state; and lawyers are over represented in this cluster¹. An analysis of the underrepresented variables in this cluster brings forth fabulous complementary information. Agents in cluster 3 do at least some sort of dealings with the state as none claims to run from making deals with it. On the other hand, agents in the state economic sector tend not to belong the commercial sector. This confirms our hypothesis that state contractors tend to connect directly with the industrial sector (*fomento* state). Furthermore, agents in this cluster do not belong to companies with few stockholders (although some do) and do not preside business associations. These agents work within the developmental state we described previously.

Finally, agents in cluster 4 work for multinational companies. Agents in this cluster preside over large companies: there are not family-owned and some are large multinational corporations. These big companies filter agents in their way to the top. In these long-term careers, having as many assets as possible can prove fundamental. This is why, we interpret, agents in this cluster have foreign graduate degrees and highly educated parents.

Furthermore, before concluding we would like to stress that long-term careers only happen within large and rather complex organizations. In this scenario, these careers guarantee a professional screening that adds to the formal education filter. To close this analysis, results from table 4.7 shed light on the trajectories of the agents in this professional set. Agents not only have different professional careers, they are also associated with different education variables. Therefore, other

¹ DEZALAY Y. et B.G. GARTH, *The Internationalization of Palace Wars*, *op. cit.*

theories are limited to describe the Venezuelan example. However, as their working hypotheses complement, they give us a good basis for arguing that careers concatenate into – at least – two-step educative and professional trajectories. We now need to show these paths that lead economic agents to command over the array of companies in the economic world

1.4. From education to careers: a superposition of multiple selection structures

We will now show that these multiple education and professional paths demonstrate the existence of various available selection structures in the economic realm in Venezuela. These multiple selection structures, we argue, legitimize differentially the permanence of an agent in the business world. A legitimate position is one from which an agent can generate economic returns. Multiple positions entail a multiplicity of ways to make money in the economic world. Moreover, – because careers fit types of companies– there is a link between the type of company in which an agent works and the way in which he can generate economic returns. To prove that a system of multiple selection structures exist, lays the ground to demonstrating that multiple strategies exist in the Venezuelan business world. And that they rest on a structure of specialization in the business world. Before engaging in that direction, we have to weigh this system of multiple overlapping paths. To do so, we will add to the findings in the previous segment. We saw that two types of trajectories existed in the economic world: long-term and short-term trajectories. Careers in multinationals constituted an instance of long-term careers. Agents entered at working or middle management positions, then climbed up the corporate ladder to find themselves in presidential positions. On the other hand, family businesses rulers were an example of short-term careers. Immediately after their college education, agents worked few years in other companies and rapidly occupied positions in the family business.

1.4.1. Unveiling a system of multiple selection structures

To display how similar educations (educations clusters) translate (have a structural equivalence) in similar professional trajectories, we used the NetDraw program for drawing a weighed directed graph (Figure 4.10). The blue round dots are education clusters and the green squares are professional clusters. The numbers on (and width of) the lines represent the agents moving from education to professional clusters. The arrows depict the direction of the movement in time. For instance, all four agents in ed3 (public – high school and university – education) went to prof 3 (state economic sector).

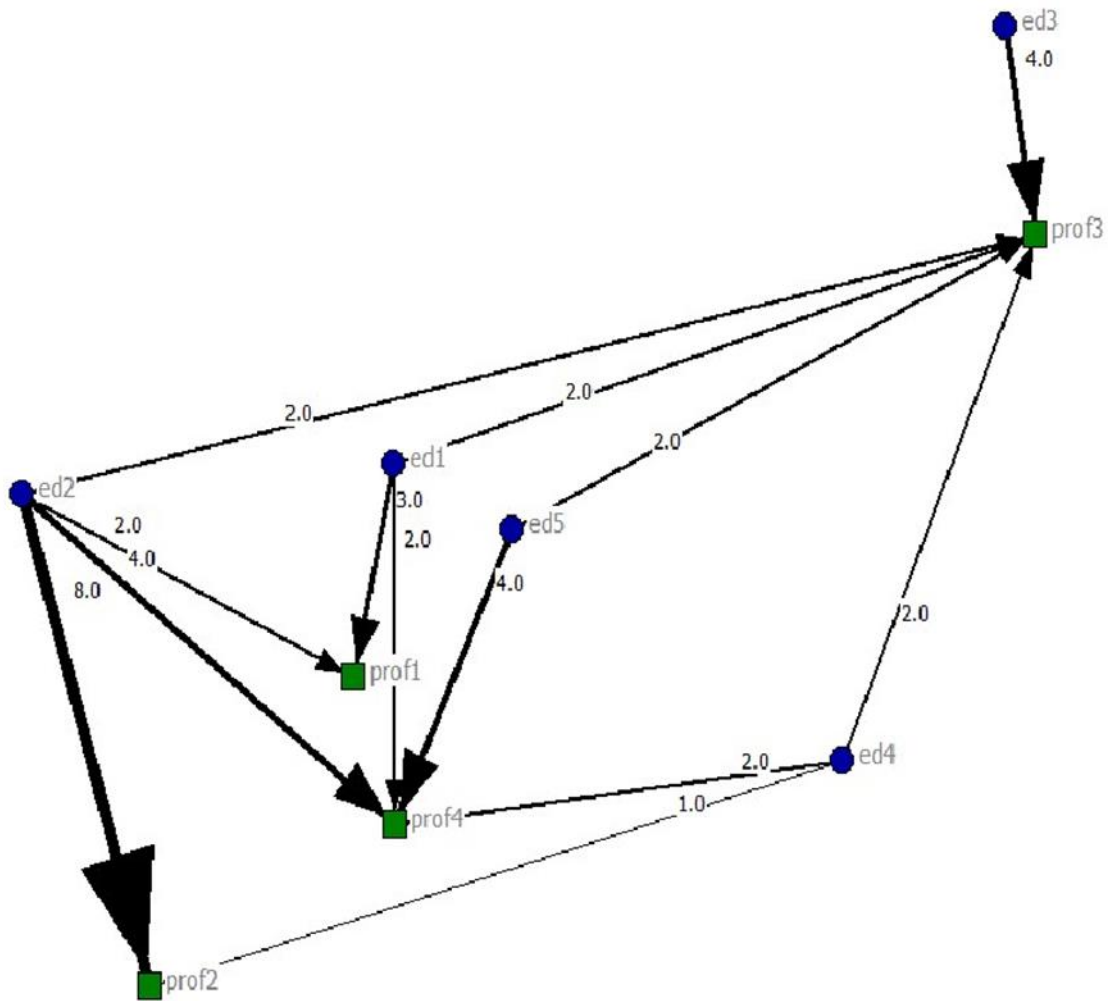


Figure 4.8 Network of agents advancing from educational clusters to professional clusters

To interpret figure 4.8, we will build on the difference between long-term and short-term careers. To complete this graph we built table 4.8. In this table agents are ordered by their professional clusters. Furthermore, table 4.8 indicates agents' educations, the ownership structure, the size and the strategy of the company's in which they work.

1.4.1. The narrow backgrounds of agents with short careers

Agents in short-term careers (prof 1 and prof 2), come from fewer education backgrounds than agents in long-term careers. Agents in prof 2 present the least varied spectrum of possible education backgrounds in our sample. Except for one agent that studied abroad, agents in prof 2 had a business oriented – “endogenous” – education (ed2). Therefore, only agents with high-status high school studies in our sample can expect to go through this fast track in the Venezuelan economy. Furthermore table 4.8 show that all but one agents in cluster 2 preside over either medium size (circa 500 employees) or large businesses (more than 1000 employees). And to clarify, the president of the small company in prof 2, had a sizeable company that had to reduce operations at the time of our interview. Agents in these companies have important positions in the business world. Most importantly, agents in prof 2 do not rely on the state for their economic survival. None is a direct state contractor. Nevertheless, some of these agents are in markets that inevitably have to sell at some point to state actors. Therefore, not only does this fast-track allow agents to rule over relatively large economic groups faster than other paths allow. It also help agents to have a business activity in which they do not rely solely on the state. Agents ruling over this relatively less complex structures, accept the scholar selection operated by the high-status private universities in Venezuela.

Within these short-term careers, prof 1 (family companies) tolerate a more ample background. Two agents have business-oriented educations (ed2) and three have low-status educations (ed1). The only agent without an education in our sample is prof 1. Table 4.8, shows that agents in this category either have small or medium-size companies. Consequently, these companies cannot afford to have varied strategies, as agents in prof 2 can; selling partially to the state for instance. They have to choose one type of strategy. These depend on the education of the agents. Agents with business-oriented educations in our sample do not sell to the state. They are vertically integrated in the larger companies in Venezuela. The second group of agents with low-status education only sell to the state. Therefore, agents with smaller companies and less assets have to link themselves to some sort of larger economic group.

Code	Clus t ed	Clus t prof	Owners hip	Size	Sells to the State	Agents Description
Arc	2	1	TPA	M	VNA	President of a company of hardware pieces, Head of Business Association
Chas	2	1	TPA	S	VNA	Owner of a company in the agricultural sector
Pea	1	1	TPA	S	VSETA	Owner of a medium gas Company, Head of Business Association
Pol	1	1	TPA	S	VNA	Owner of a Medium automobile spare parts company, former Head of Business association
Urb	1	1	TPA	M	VSETA	Head of a mid-level State contractor
Blo	2	2	TPA	M	VNA	President of retail company
Dag	2	2	TPA	L	VNA	President of retail company
Gia	2	2	TPA	L	VNA	President of electric batteries company
Hel	2	2	TPA	S	VNA	President of an import house
Le1	2	2	TPA	L	VETA	President of catering firm
MenR	2	2	TPA	L	VETA	President of construction company
Rog	2	2	TPA	M	VETA	President of Melting Company, Head of Business Association
Saa	2	2	TNA	M	VNA	CEO of tubes company, Head of Business Association
Sos	4	2	TPA	L	VETA	President of construction company
Aqu	4	3	TE	S	VSETA	Government contractor
Ber	4	3	TNA	L	VETA	Ex- Bank President, Financial consultant
Cia	3	3	TE	L	ETA	Ex- President of a Publicly owned company
Fid	3	3	TE	L	ETA	Head of an regulation agency of the financial sector
Gag	3	3	TE	M	ETA	Head of an regulation agency of the financial sector
Her	5	3	TPA	S	VSETA	Owner of a company in the energy sector, Head of Business Association
Mal	1	3	TPA	M	VSETA	President of a former maritime transport company, Head of a political party
Men	2	3	TNA	L	VETA	Ex- President of Industrial conglomerate
Pla	2	3	TNA	L	VETA	Ex- President of Agro- Business, Board of Agrobusiness
Poc	5	3	TNA	L	VETA	Ex- High executive for Melting Company, Board of a bank
Por	1	3	TE	S	ETA	President of a Bussiness Association linking foreign and National Compaiaes
Ver	3	3	TE	S	ETA	Head of a Public Fund
Bad	2	4	TMUL	L	VETA	Country represetative for Agro- Business Company
Cla	1	4	TMUL	M	VNA	Country Reprensative for personal Higiene Company
Cos	4	4	TMUL	L	VETA	Country represetative for Agro- Business Company
Dip	5	4	TMUL	L	VETA	Country represetative for technology Company
Lar	5	4	TNA	L	VETA	Executive in agro- bussiness conglomerate, High position in Business Association
Lea	1	4	TMUL	M	VETA	Vice President of Foreign energy company
Naz	5	4	TNA	L	VNA	CEO of various technology companies
Nd	2	4	TNA	L	VNA	President of a company in the Banking sector
Pe v	5	4	TPA	S	VNA	Executive officer in a Business Association, previous partner at consulting firm
Ull	4	4	TMUL	L	VSETA	State contractor, energy sector
Vic	2	4	TNA	L	VSETA	Vice President of Venezuelan energy company
Voll	2	4	TPA	S	VETA	President of trading company

Table 4.8 Agents by educational TraMineR cluster, professional cluster and characteristic of their business, ordered by Professional cluster n=38

To understand this graph we must recall that TPA means have “few national stockholder”, TNA have “large number of stock holders”, TMUL are “multinational companies” and TE “work for the state”. VNA “do not sell to the state”, VETA means they have “partial relations with the state” and VSETA mean they are “state contractors”; ETA “work for the State”.

Finally, the agent without an education has an extremely interesting career. He was a poor Italian immigrant. He used his contacts in the Italian community to find a job in the banking sector. From there he became a recognizable manager. This position helped him create his own company. He then became president of Fedecamaras, when it still maintained regular talks with the presidency. Therefore, he had a position in which he was vertically integrated in the business world but had close connections with government officials.

Agents in prof 1 retook their family's companies or created their own. They choose their business strategy based on the type of contacts they had. Those with entries into the private sector, sold to major companies. The others, without any other options, contacted the state to grow. Despite being a short-term career, prof 1 position is precarious. Four out of five agents in prof 1 had important responsibilities in the – chavist or anti-chavist – business associations. The source of the economic power that led us to include them in our sample was linked with their careers in the business associations, rather than the size of their economic endeavors.

1.4.2. The tolerant nature of long-term careers

Agents in long-term careers, come from a varied array of education backgrounds. Agents in the state economic sector (prof 3) evenly receive agents from ed 1, 2, 3, 4 and 5. Although, agents with public educations (ed 3) only went to the state economic sector. Which means that this world is not fluid. Some restrictions apply. In this case, entirely public education backgrounds, forbade agents from engaging in purely private endeavors. Furthermore, table 4.8, highlights that half of managers in prof 3 were part of the Venezuelan fourth republic *Ancien Régime*. During the bipartisan era, half of the agents in this prof 3 worked for either the major banks or the oil and metal public conglomerates. Nowadays, the other half of agents in this cluster work for the socialist government. This result implies that the public economic dynamic did not change substantially, but rather than its new participants came from a new background; exaggerating the measured heterogeneity.

This cluster is of particular interest, because it shows that long-term careers constitute sources of legitimacy by themselves. As they operate a second selection, they can legitimize the careers of agents with less glorious backgrounds. However they can also reassert those of agents with proper upbringings. That is why agents that go into this state economic sector have multiple backgrounds. This – relatively – “open doors” type of selection echoes the comments made by the commodities’

trader that argued that people could make money with the state even if they had a masters in the bar by the corner. In this state sponsored competition, the state market is a true social elevator that promotes agents with “the wrong background” and even “the wrong education”. Finally, almost all agents in prof 3 were included in the qualitative analysis of what we referred to as state agents in chapter 4. There we concluded that the state market was extremely varied. Figure 4.10 confirms this qualitative hypothesis. However, diversity does not mean that the state economic market only accepts renegades. On the contrary, it attracts a heterogeneous crowd with high status and low-status educations.

Prof 4, the final cluster in these long-term careers is somewhat more selective. These agents go through what we referred to as the machine for structural equivalence: the institutional structure of corporate selection. Indeed, all agents in prof 4 work for company hold by many Venezuelan stockholders of for multinational corporations. Most of these companies are either medium or large companies. In chapter 4 we argued, that agents with careers in either national or multinational corporations, did not require optimal degrees. Even agents with – relatively – second-rate degrees were tolerated. The corporate system worked as a system of social equivalence that transformed diplomas or social positions into recognizable managerial skills. Figure 4.8 confirms this analysis. Prof 4 receives agents from multiple horizons. Although, it does not accept agents with purely public educations. This last position needs to be softened. We are not implying that this system is necessarily more “meritocratic”. As we showed previously it was skewed towards agents with foreign graduate degrees. We simply state that this career spans over the long-term and that in consequence is not as severe on the background of its – holders of a graduate degree – candidates. To sum up, long-term careers present two distinguishable properties. First, they constitute a source of legitimacy. Agents in the public economic market use their state connections, and the public financial arm to climb economic positions. Agents in corporate ladders use them to legitimize their presence at the head of the men power and cash flow they have at their disposal in managerial positions. Secondly and perhaps most importantly, because they legitimize careers, they allow themselves to select agents with diverse backgrounds. These long-term careers are rather structures of professional cooptation than pathways that legitimize already legitimate elite educations; such as the French or the English example.

1.4.3. *Proving a structure of multiple selections*

This analysis of Prof 3 and 4 therefore sheds light over the existence of a structure of multiple selection structures working as available paths for business elites. On one hand, the state chooses the agents that regulate the state and act over the economy. On the other, corporations legitimate the agents it considers most valuable. This system of predominantly professional selection accompanies one that is educational. Ed 2 educates agents that can go into fast tracks in an economic world that is unwilling to select its own. Alternatively, some agents with less economic power can use their position in the business associations to legitimize their economic status.

This result does not directly invalidate the typical path approaches. Instead, it counters their way of reasoning. Therefore, as we have been arguing, the typical path results are complementary rather than opposed. If some agents turn out to be rentier bourgeois, others might be something else. Therefore, an understanding of the economic world in Venezuela should account for these multi-dimensional spaces. However, those that are not rentiers might criticize those that are, by calling them names. Analyses on Venezuela should not mix structures and symbolic struggles within that structure. In this case, a structure of multiple careers on one hand and agents' insults of businessmen with different careers on the others.

So for instance, the *bolibourgeois* – reclaiming our reading game – might be agents that used the state legitimizing properties to lift themselves in the business world. As an economic journalist rightly recalled: “most of those criticizing the *bolibourgeois* were people that were allowed to play the same dirty tricks thirty years ago. And that are now jealous”. To fully prove this hypothesis we need to find a way of comparing the specialization of business elites. In chapter 5, we will use a multiple correspondence analysis to build this space to classify business elites and compare them to the *bolibourgeois*.

5. Chapter 5. The long-term specialization of the business elites: a structural approach.

“Constructing a theory of the social space presupposes a series of breaks with Marxist theory. First, a break with the tendency to privilege substances - here, the real groups, whose number, limits, members, etc., one claims to define - at the expense of relationships; and with the intellectualist illusion that leads one to consider the theoretical class, constructed by the sociologist, as a real class, an effectively mobilized group. Secondly, there has to be a break with the *economism* that leads one to reduce the social field, a multi-dimensional space, solely to the economic field, to the relations of economic production, which are thus constituted as co-ordinates of social position. Finally, there has to be a break with the objectivism that goes hand-in-hand with intellectualism, and that leads one to ignore the symbolic struggles of which the different fields are the site, where what is at stake is the very representation of the social world and, in particular, the hierarchy within each of the fields and among the different fields.”

Bourdieu, the social space and the genesis of groups.

5.1. Introduction: Modelling the relational space of the business elites

5.1.1. Specialization of the business elites: types of companies and relationship with the state

In this chapter, we will ratify that the specialization of the business elites is the product of a long-term process that leads them to commanding different types of companies. Furthermore, we will insist that types of companies are defined by their proximity to poles of specialization driven by the size of the company, the ownership structure and the types of business elites it promotes. In line with the theoretical model presented in chapter 2, we will also prove that this particular within-companies' specialization is associated with business elites' type of economic relationship with the

state¹. As business elites, sit at executive positions, specialization translates their characteristics—that is, their social capital, and education – into corporate positions – hence with the manpower, assets and cash flow these entail.

As the process of within-companies' specialization rests on a long-term logic, this chapter will also show that specialization fits the structure of educational and professional trajectories described in chapter 4. Arguing that this complementarity exists amounts to stating that assets are linked to a long-term socialization processes. That is, these executives' resources are garnered over time. To use an analogy, by linking results in chapter 4 with results in chapter 5, we can see that agents have bows and arrows, and that they are experienced medieval archers. This superposition of skills and experience is a good basis for presupposing that in the event of a battle, agents will attack their foes by throwing arrows at them. How they fire will depend on the particularities of the battlefield as well as on each archer's particular situation.

In the same way, by proving the complementarity of the results in chapter 4 and 5 we will be able to, using the previous metaphor, link archers to bows and arrows; knights to armors and swords; infantry to pikes. This will give us a topography of the business world from which we will be able to infer agents' reasonable strategies².

5.1.2. Relational spaces in the business world in Latin America.

On the basis of what we have already developed, this chapter will engage in a series of empirical debates regarding the characteristics of the economic elites in Latin America. As chapters 3 and 4 led us to argue, the typical-path approach was not suitable for describing the Venezuelan case. Neither foreign education³, nor state connections⁴ aptly describe the careers of the economic elites in Venezuela. There is another way to account for these explanations we labeled polar explanation. This reasoning posits there is a major source of legitimacy, usually found in the international

¹ This is central for our argument of an uncoordinated state. If agents do have different types of relationships with the state, we will be able to argue that the state affects agents in a differential manner. Thus, that it generates mix-incentives.

² BOURDIEU P., « Avenir de classe et causalité du probable », *op. cit.*

³ PANAYOTOPOULOS N., « Les “ grandes écoles ” d'un petit pays [Les études à l'étranger: le cas de la Grèce] », *Actes de la recherche en sciences sociales*, 1998, vol. 121, n° 1, p. 77-91.

⁴ CORONIL F., *The Magical State*, *op. cit.*

market or the state. However, even agents that have access to an important legitimacy source still have to face other challengers with similar or distinctive characteristics. As Dezalay and Garth¹ put it, foreign-educated lawyers had to face the rise of foreign-educated economists. This more complex explanation is still unsuitable, because, as we showed in chapter 4, there are more than two types of careers in the Venezuelan business world. An incumbent/challenger model does not aptly describe our dataset². Thusly, our argument up to this chapter posits that the best way to describe the types of the companies in our data is by accounting for a social space of relationships.

5.1.2.1. *Interlock directorates in Latin America.*

Let us go beyond an approach that emphasizes the executives' most-prevalent characteristics and move towards perspectives that refer to a description of social spaces³. Diego Paredes discusses how researchers have ignored this approach in the case of Argentina, and we can extend his reasoning to the whole region. Most authors⁴ focus on wealth accumulation – or social inequalities – and are less interested in the relations inside the business world. However, pioneering work on interlocking directorates in Brazil⁵, Argentina⁶ and comparative works in the region⁷ have delved into a modeling of a relational space between economic elites. These studies have been important because they show that cohesive interlocking structures exist at the national level even if national variations appear. For instance, the Brazilian network is less cohesive than the Chilean one is⁸.

¹ DEZALAY Y. et B.G. GARTH, *The Internationalization of Palace Wars*, *op. cit.*

² MacAdam and fliegstein's theory of fields rests on and incumbent/challenger model. FLIGSTEIN N. et D. MCADAM, « Toward a general theory of strategic action fields* », *Sociological theory*, 2011, vol. 29, n° 1, p. 1-26.

³ GRANOVETTER M., « Economic action and social structure: The problem of embeddedness », *op. cit.*

⁴ For the Argentinian case: AZPIAZU D., K. FORCINITO, et M. SCHORR, *Privatizaciones en la Argentina: renegociación permanente, consolidación de privilegios, ganancias extraordinarias y captura institucional*, FLACSO, Área de Economía y Tecnología, 2001 ; AZPIAZU D. et M. SCHORR, « Las traumáticas privatizaciones en la Argentina: Rentas de privilegio en detrimento de la competitividad de la economía y la equidad distributiva », *FLACSO.[Links]*, 2004.

⁵ SANTOS R.L. et A.D.M. DA SILVEIRA, « Board interlocking in Brazil: Director participation in multiple companies and its effect on the value of firms », *Brazilian Review of Finance*, 2007, vol. 5, n° 2, p. 125-163 ; VIDAL P.G. et W. MENDES-DA-SILVA, « Small World of Board Members in Brazilian Capital Market », *Available at SSRN 1534875*, 2010.

⁶ PAREDES D., « Directorios cruzados: un estudio sobre la cúpula empresarial en la Argentina actual », *Trabajo y sociedad*, 2011, n° 16, p. 39-51.

⁷ CÁRDENAS J., « Are Latin America's corporate elites transnationally interconnected? A network analysis of interlocking directorates », *Global Networks: A Journal of Transnational Affairs*, 2015, vol. 15, n° 4, p. 424-445.

⁸ CÁRDENAS J., « Why do corporate elites form cohesive networks in some countries, and do not in others? Cross-national analysis of corporate elite networks in Latin America », *International Sociology*, 19 février 2016, p. 268580916629965.

This first line of enquiry lacks, however, fundamental data on the characteristics of the businesses within the interlocking directorates¹. They fail to include data on the companies' balance sheet as well as on the social characteristics of their managers. Without this extra data, analyses can only be superficial, as we argue that specialization is embedded in companies. Furthermore, this is of particular importance in this region where enterprises are usually associated with leading economic figures or families².

5.1.3. Quantifying qualitative data: Coding for MCA

5.1.3.1. *Geometric representation of spaces of relationships*

With this in mind, we will propose a technique for modeling distances based on agents' attributes. There are two major available tools for drawing relational spaces in the social world. The first is network analysis³. The second is similar but uses different data. This second technique is multiple correspondence analysis⁴. We contend that MCA describes our set more precisely, because of the way we gathered information.

First, we selected our interviewees through a snowballing selection⁵ with five different entries. This was important, as we wanted to select as diverse a data set as possible on a previously understudied population. This method led us to obtaining a set of 39 agents whose characteristics we were able to code. Chapter 4 shed some light on the diversity of our sampling. However, this technique also comes with an inconvenience. As it does not aim at being a representative set, some categories may

¹ Authors such as Ben Ross Schneider have pioneering works integrating this data SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

² *Ibid.*

³ MARIN A. et B. WELLMAN, « Social network analysis: An introduction », *The SAGE handbook of social network analysis*, 2011, p. 11-25.

⁴ LE ROUX B. et H. ROUANET, *Multiple Correspondence Analysis*, *op. cit.*

⁵ ATKINSON R. et J. FLINT, « Accessing Hidden and Hard-to-Reach Populations: Snowball Research Strategies », *op. cit.*

be over or under represented. However, we were not interested in measuring the frequency of agents, but rather we wanted to assess the diversity of our set of individuals¹.

Therefore we argue, our qualitative biographical data is best interpreted with a specific multiple correspondence analysis (MCA). This is so for three reasons. First, because it is a technique that builds social spaces out of agents' characteristics. As Le Roux and Rouanet state: "MCA provides a geometric model of data, that is, it represents individuals by points, and summarizes the relations between the categorized variables"².

Secondly, the MCA method is of particular interest because it minimizes the biases of our snowballing selection. The resulting spatial projection is built on extreme cases. Therefore, similar cases agglutinate. The presence of an outlier will not be minimized but rather maximized. We will pay particular attention to not over interpreting the small group of outliers. These characteristics of the MCA makes it preferable to network representations for our data. Network analysis is particularly affected by structural holes³. A structural hole is a lack of information on the links between agents. As we found in our fieldwork, the Venezuelan business world is extremely fragmented; even more so in a polarized environment. In these contexts, structural holes can strongly affect network representations. Adding to this empirical problem, we did not have an available preliminary universe of reference that would have helped us assessing these biases. Because this universe of reference is fragmented, we used our snowballing technique to obtain as many entry points as possible to drill out a variety of "core samples"⁴. This is why most of our entry points only lead us to two further recommendation steps. This type of fieldwork would have skewed a structure drawn with a network-drawing tool. In these types of symbolic social spaces, MCAs are preferable.

¹ Bourdieu also selected an unrepresentative data set for his article on the field of editors in France. He justified this approach because he wanted to emphasize the differences in this field.

² ROUX B.L. et H. ROUANET, *Geometric Data Analysis*, op. cit., p. 179.

³ BURT R.S., J.E. JANNOTTA, et J.T. MAHONEY, « Personality correlates of structural holes », *Social Networks*, 1998, vol. 20, n° 1, p. 63-87.

⁴ A core sample is a cylindrical section of a natural substance. Core samples are obtained by drilling with special apparatuses into the substance, for example sediment or rock, with a hollow steel tube called a core drill.

Thirdly, we preferred a multiple correspondence analysis, because the MCA builds a space of active variables (data from table 3.3) over which we can project passive variables to check the validity of our working hypotheses.

5.1.3.2. *Coding the dataset*

We conducted a specific MCA on 39 agents (we had qualitative information on one more agent than we did for the sequence analysis). A specific MCA allows us to conduct an MCA even if 5% of the entries are missing. These modalities do not interfere directly in the distance between individuals; they do not participate in the determination of the axes.

Principal variables set as passive variables.

We were unable to provide family information for one agent (Aqu) and educational data for another (Pol) that had not obtained a high school degree. He was the only one in our list without a university diploma. Thus, he had a huge weight on the variance of the axis. By acknowledging his uniqueness, we were able to compare him to others. Finally, for statistical reasons we excluded the category “other education” (other than law, engineering and management, which are business oriented; n=7). This default variable accounted for the careers that do not primarily lead to the business world. We preferred to set it as a passive category.

5.1.3.2.1. *Active variables: education, professional position, business associations and social reproduction*

We conducted an MCA with active variables (34 variables) drawn from our qualitative trajectory analysis (Table 4.3). Table 5.1 (p.246) shows the active variables as well as their frequencies. To read this table let us take one example. For instance, 22 agents attended high-status high schools in Venezuela (second line).

Using table 3.3 to code our principal variables.

We coded the education of these managerial elites by focusing on high school, undergraduate and graduate education¹. To code for professional position we included the hierarchical level of the agents, their involvement in the business associations and their type of economic relationship with the state. Finally, to check for heredity, we included a category of parents' education and their social position. This last category mixes two elements. A degree of social hierarchy (high and low) and the professional activity of their fathers (most of the mothers worked at home). This option allowed us to deconstruct the weight of heredity into four classes.

This way, however we obtained a category PHFONC with 3 agents (Table 5.1). This could be problematic. However, this category does not contribute substantively to the variance of the axes. The other category that has few agents is the Gvt category. The agents that work for the government are noticeably different from other agents in our subset. This category in itself is not singlehandedly responsible for the variance of the axes.

¹ For more detail on the selection of the variables see the methodological appendix in chapter 2.

		Code	Agents after data selection	Explanation
Education	High School	SF	7	Foreign Secondary education
		Sna	1*	No Secondary education
		SPriV	22	High Status High Schools in Venezuela
		SPubV	9	Low Status High Schools in Venezuela
	Undergraduate	UF	13	Foreign Undergraduate degree
		UHPriv	8	High Status Private University in Venezuela
		ULPriV	7	Low Status Private University in Venezuela
		UPubV	11	Public University in Venezuela
	Major	ECO	10	Economics or administration Major
		ING	16	Major in Engineering
		LAW	5	Major in Law
		NA	1*	No Major
		OTR	7*	Other Majors
	Graduate	PGF	17	Foreign Graduate Studies
		PGNa	17	No Graduate Studies
		PGV	5	Graduate studies in Venezuela
Professional position	Career	ExecF	8	Executive of a Multinational Company
		ExecV	9	Executive of Venezuelan major firm
		FamV	19	President of a Business with few stakeholders
		Gvt	3	Government
	Business Association	UNA	10	No participation in Business association
		UCHAM	6	Participates in Business Association
		UPCHAM	9	President of Business Association
		UPRES	13	President of a Branch Business Association
	State as client	ETA	5	Works with the State
		VSETA	8	Sells primarily to the State
		VETA	14	Economic partnership with the State
		VNA	12	Does not do business with the State
Reproduction	Parents Education	PPRIM	5	Parents with primary education
		PSEC	15	Parents with secondary education
		PUNI	18	Parents with university education
	Parents Social Position	PHCOM	5	Important bankers or importer
		PHFONC	3	High function as State Clerks
		PHIND	5	Big Industrialists and land owners
		PINT	6	Intellectual, doctors or politicians
		PLCOM	13	Small shopowners, middle management
		PWOR	6	Manual labor
		* Treated as Passive Variable in Specific multiple component analysis		

Table 5.1 Absolute frequency of active variables in the MCA, n=39

Variance of the first three axes: 36.49%

The first three dimensions explain 36.49% of the variance and 84% of the modified rate. Table 5.2 shows the variance, the variance rate, the cumulated rate and the cumulated modified rate of the

first 10 dimensions. The modified rate is an index of sphericity¹. “If variables in a multiple correspondence analysis have no relation between them, the variance will be close to the mean variance (the cloud of points in the MCA will be spherical). In this case, the cumulated variance of the first axes will be small. On the contrary, if variables are strongly linked, the variance of the first axis will be distant from the mean value (the cloud of dots in the MCA will be non-spherical). In these cases the cumulated modified rate of the first axes will be important”². Therefore, if the modified rate of the first axes is important, points in the MCA will form solid representation of groups in the geometrical space.

<i>Dimension</i>	<i>Variance (λ)</i>	<i>Variance rate</i>	<i>Cumulated rate</i>	<i>Cumulated modified rate*</i>
1	0,44	15,50	15,50	51,10
2	0,32	11,41	26,91	72,45
3	0,27	9,58	36,49	84,58
4	0,23	8,04	44,52	90,98
5	0,20	7,18	51,71	94,98
6	0,19	6,90	58,60	98,31
7	0,16	5,71	64,31	99,49
8	0,14	5,03	69,34	99,94
9	0,12	4,35	73,69	100,00
10	0,11	3,87	77,55	100,00

*Index of separation to sphericity. Rate varies between 100 and 0 when variance is superior to mean value.

Table 5.2 Variance, Variance and Cumulated rate of the first 10 dimensions of the MCA

The first three axes explain 84, 6% of the modified rate. Even if they explain 36,49% of the variance rate, these first three axes are sufficient to profile the groups of individuals and variables built by this MCA.

The active variables in this MCA represent business elites' skillsets or assets. Therefore, this space models a structure of proximity between agents with multiple aptitudes.

¹ DURAND J.-L., « Taux de dispersion des valeurs propres en ACP, AC et ACM », *Mathématiques et sciences humaines*, 1998, vol. 144, p. 27.

² *Ibid.*, p. 27-28.

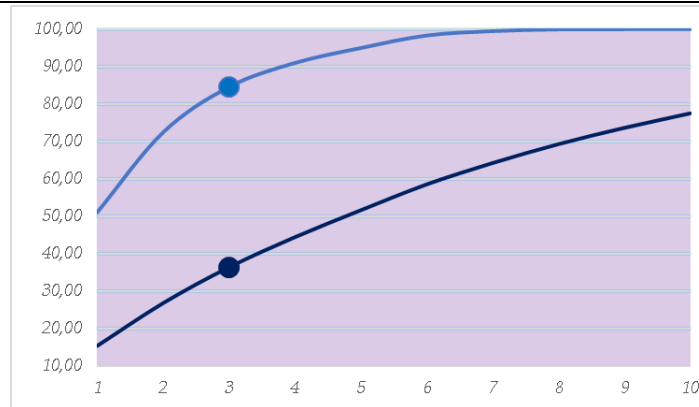


Figure 5.1 Cumulated rate of variance (dark blue) and cumulated modified rate (light blue) on the first ten dimensions of the MCA with emphasis on the third dimension

5.1.3.2.2. Passive variables: structural equivalence, within-company specialization, social capital and nationality

We coded passive variables to check our hypotheses (Table 5.3; 51 variables). The first group of variables (professional and educational clusters of the trajectory analysis in chapter 5) aims at verifying our theoretical point; there should be a relationship of structural equivalence between the sequence clusters and the social space built from the MCA.

Secondly, to prove the within-companies' specialization we introduced a series of variables related to business structure that deals with the "sector", the ownership structure and the size of the company.

Thirdly, we introduced variables that represent social capital (professional and nonprofessional). These variables could support the claims of new economic sociology right, which are that the social space is built upon webs of relationships. Furthermore, it could also help us prove that this symbolic space is segregated into particularly distant groups. This last assertion will support our claim for the use of MCA, because in scenarios of small-worlds, structural holes are problematic.

We were able to code 16 entries on social capital, separated into four variables: sports, clubs, charities and generation. Therefore, if two agents belong to the same generation and sit on the same boards of the same charities, they will more likely have met.

Finally, we coded variables to disprove some prevalent notions regarding the Venezuelan economic world, first, on the nationality of agents: one school of thought argues *sotto voce* that economic

elites in Venezuela come from foreign descent. This is why we integrated a variable on the agents' and their parents' nationalities. Lastly, we integrated the variable on political affiliation to test if this space was politically driven or not.

			Code*	Absolute Frequency	Axis 1	Axis 2	Axis 3	Explanation
Trajectories	Education Cluster TraMiner	1		7	-0,50	-0,03	1,03	Low Status High School and Private University
		2		16	0,45	0,63	-0,30	High Status High School and Private University
		3		4	-1,96	-1,26	-1,02	Low Status High School and Public University
		4		5	1,15	-1,16	0,72	Foreign secondary and University Education
		5		6	-0,11	0,19	-0,74	High Status Private High School and Public University
	Career Cluster TraMiner	1		5	-0,44	1,13	0,69	Family Businesses
		2		9	0,64	0,62	-0,08	Fast executive careers
		3		12	-0,71	-0,47	-0,09	State linked careers
		4		12	0,49	-0,45	-0,35	Slow Executive Careers
Business Structure	Sector	SAGRO		5	0,59	0,04	-0,39	Agricultural Sector
		SCOM		9	0,30	0,80	-0,30	Commerce
		SETA		5	-1,52	-1,20	-0,16	Works for the State
		SFIN		3	0,57	-0,23	-0,78	Financial sector
		SIND		14	-0,11	0,13	0,53	Industrial sector
		STEC		3	0,61	-0,83	0,13	Telecommunications and tecnology
	Ownership structure	TE		6	-1,47	-1,16	-0,27	Works for the State
		TMUL		6	0,96	-1,05	0,35	Works for Multinational Companies
		TNA		9	0,27	0,24	-0,58	National Company with multiple stockholders
		TPA		18	0,04	0,62	0,27	National Company with few stockholders
	Size	L		19	0,43	-0,25	-0,23	More than 1000 employees
		M		9	-0,31	0,31	0,33	200-400 employes
		S		11	-0,49	0,17	0,14	10-50 employees
Nationality	Birth	EUR		7	0,52	-0,04	0,79	European
		VZLA		32	-0,11	0,01	-0,17	Venezuelan
	Parents Nationality	PEX		14	0,28	0,08	0,64	Both parents were foreigners
		PMIX		3	-0,10	-0,53	-0,48	One of parents was Venezuelan
		PVZLA		22	-0,17	0,02	-0,34	Both parents were Venezuelan
Social Capital	Sport	DCOL		3	0,12	0,28	-0,01	Team sports
		DIND		5	-0,08	-0,11	-0,08	Individual sports, gym
		DNA		10	-1,08	0,06	-0,03	No sport
		DSOC		16	0,80	-0,29	-0,14	Tennis, Golf, Polo
	Clubs	CHN		10	0,50	0,08	-0,12	New High Status Clubs
		CHO		9	0,74	-0,28	-0,29	Old High Status Clubs
		CL		4	-0,30	1,30	0,56	Low Status Club
		CNA		10	-1,03	-0,43	-0,22	No club affiliation
	Charity	BCAT		10	0,18	0,38	-0,06	Charities close to the catholic church
		BCUP		2	0,66	-0,19	-0,82	Charities funding other charities
		BED		9	0,44	0,39	-0,37	Charities linked with education
		BIND		5	-0,08	-0,38	0,22	Funds personal causes, art financing
		BNA		12	-0,48	-0,40	0,16	Does not finance a Charity
	Generati on	1970		11	0,11	0,13	0,03	Started business life during the 70's oil boom
		1980		14	-0,14	-0,06	-0,08	Started business life during the 80's devaluation policies
		1990		14	0,05	-0,04	0,05	Started Businnes life during the 90's economic liberalization
Political Position	Political Position	DRT		3	0,39	0,46	-0,90	Right wing
		CNTR		10	0,37	0,22	0,20	Centre
		POLHF		11	0,18	0,31	-0,08	Believes in free market
		LEFT		8	-1,19	-0,71	-0,09	Lef Wing
		POLNA		7	0,37	-0,18	0,33	Does not have a political opinion

Table 5.3 Absolute frequency of passive variables of the MCA

5.1.3.2.3. Hypotheses: characterizing poles of specialization

To prove that business elites specialization is a long-term processes that lead them to command different types of companies we need to avail two empirical hypotheses. To verify within-company specialization, we will show that agents' attributes located on an MCA fit the set of companies characteristics coded as active and passive variables. This will be the case, as we will show that business elites form poles of specialization characterized by types of companies. Reaffirming our theoretical model, these poles will have a different type of relationship with the state; thus validating our hypothesis of a state that generates mixed-incentives.

Secondly, we will verify a relationship of structural equivalence between poles of specialization and the trajectories of the business elites with a hierarchical cluster analysis. In line with previous results, we will show first that the poles of specialization correspond to the clusters in the MCA. Then we will prove that clusters in the MCA fit the trajectories calculated in chapter. Structural equivalence will be proved as the space in the MCA will show that poles of specialization oppose big corporation to smaller companies and these to enterprises in the state economic sector.

5.2. Status and professional selection: Poles of specialization in the business world

“Do you keep-in-touch with the Venezuelan business world?

No, I don’t have contacts with the ‘Venezuelan society’. I don’t have to keep professional relationships with them. Nor do they interest me personally. I prefer the Izcaragua Club, that I attend, to the Country Club. It’s in the countryside. It’s 20 minutes from Caracas. I don’t go there for social relations.”

Pyt, Country representative of a defense company

“Do you attend a social club?

I am a member of the Country Club. I have not set foot in there for four or five years. Write that down if you have to.”

Vol, Commodity trader

Do you attend a social club?

None.

Ver, President of a public fund.

We will now show that business elites specialized within companies, forming poles of specialization. First, allow us to introduce multiple correspondence analysis to our readers.

An MCA produces a graphical projection of the distances between each agent (see example Figure 5.2; page 246). Each axis “opposes” the farthest attributes. Therefore, if ETA (works for the state) and SF (attended a foreign high school) are two characteristics that are not shared by the same agents, these will be distant in the graphic projection. Similarly, the projection of agents that work for the state or went to high school abroad will be henceforth distant (Figure 5.2). To use this extremely powerful graphical tool, one must interpret what attributes are being “opposed” by the MCA.

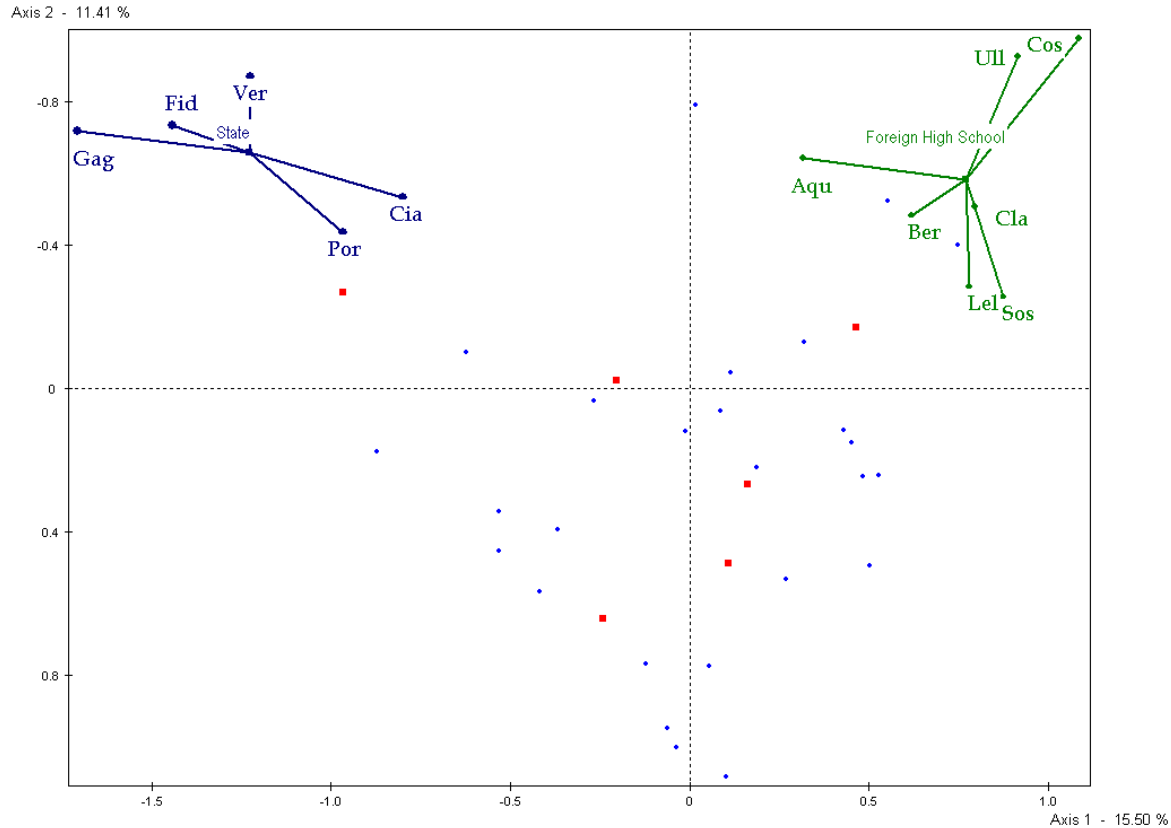


Figure 5.2 Example of opposition on the plan 1-2

Gag, Fid and Ver are high-ranking managers in the public economic sector.

Ull, Cos and Cla are country representatives of multinational corporations

Table 5.4 (page XX) gives the coordinates and contributions of active variables on the first, second and third axes. In Table 5.4, the colored cases represent attributes that explain more than the average variance of the axes (3%)¹.

We will hereupon analyze the first two axes (Figure 5.6). This spatial projection reveals a triangular form. The vertices of the triangle embody the poles of specialization. To reach this conclusion allow us to take this analysis gradually. To interpret this social space we will have to proceed in two steps. First describing the axes opposition to then unveil the particular triangular structure that displays poles of specialization.

¹ To calculate the average variance we divided $100/n$; in this case $n=34$ (number of variables). For further robustness, we only consider attributes that account for more than twice the mean contribution.

5.2.1. Interpreting the first two axes: status and companies

5.2.1.1. *First axis: a status-driven and professional opposition*

The first axis displays on a double professional and educational opposition. The variance of the first axis is $\lambda_1=0.44$ (15% of the total variance). On the left side of the first axis (Figure 5.3 p.249) agents had low-status high school education and work for the state. On the right side of the axis agent had foreign education (high school and undergraduate) and work as managers for multinational corporations.

First axis: low status/high status; state/multinationals.

Five variables account for at least two times the mean contribution (Gvt, ETA, SPUBV, UF, SF¹; respectively works for the government, works for the public economic sector, studied in a public high school, went to an university abroad and went to a foreign high school). These attributes are located in the plane 12 (Figure 5.3, p.19). For further clarity, we replaced the codes with a more textual meaning.

¹ The meaning of these variables is specified in Table 6.1 presented above.

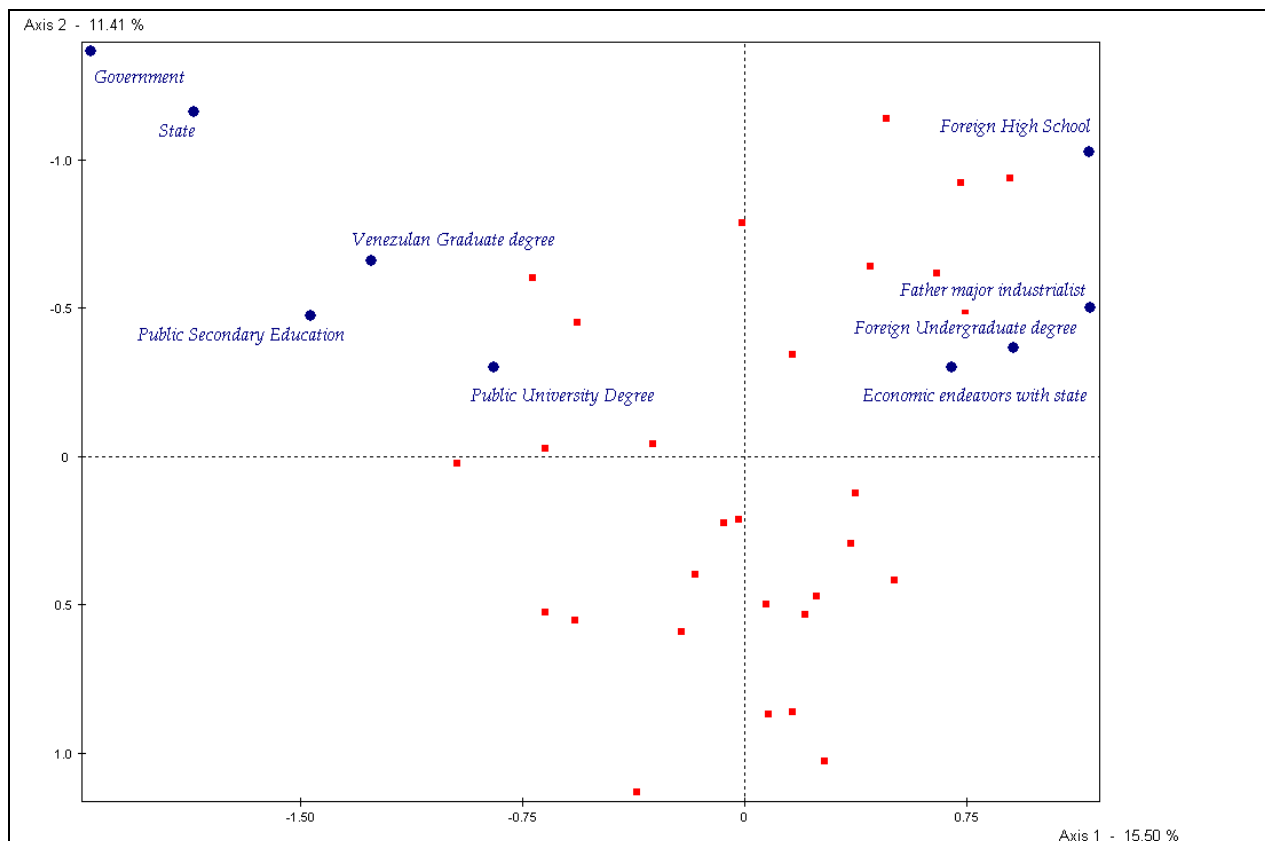


Figure 5.3 Attributes that contribute the most to the variance of the first axis (sum=24%) on the plane 1-2

Roughly speaking, this first axis separates (see table 5.5 p.258): a) agents that come from families of wealth and studied abroad (right side of the first axis) from b) agents with low-status high school education in Venezuela (left side of the first axis). Digging into this first opposition, we see that this axis also displays a professional opposition: agents working for the State (left) are far from managers in multinational companies (right).

5.2.1.2. Second axis: an opposition between types of companies

The second axis which explains 11% of the variance ($\lambda_2=0.32$) also displays a professional and educational opposition. This axis opposes attributes that were distant in the first axis and attributes that had no weight on the first axis. On the lower side of Figure 5.4 (p.21), are located, high status, private, Venezuelan high schools. On the upper side of the graph, low-status high schools and foreign education. However, as we saw in chapter 4, high-status private high schools trajectories

are closely linked to a particular type of professional trajectory (fast-track into a corporate career in companies with small number of owners). Therefore, both our axes stage an educational and professional opposition.

Second axis: High status high school/the state and multinational managers.

Similarly, six variables explain more than twice the average contribution of the second axis (ETA, VNA, UHPriV, PUNI, ExecF, SF; respectively: works for the state, does not sell to the state, went to a high status private university in Venezuela, his father went to the university, is a multinational's manager and has a foreign high school experience).

Both agents that work for the State and for multinational companies have a negative coordinates on this axis (top of the plane 1-2). For presentation motives, we reversed the graduation of the second axis (therefore the negative end of the axis is at the top and the positive at the bottom). Throughout this presentation, however, we will refer to the location in the space and not to the coordinate. This is not important as signs in an MCA are arbitrary.

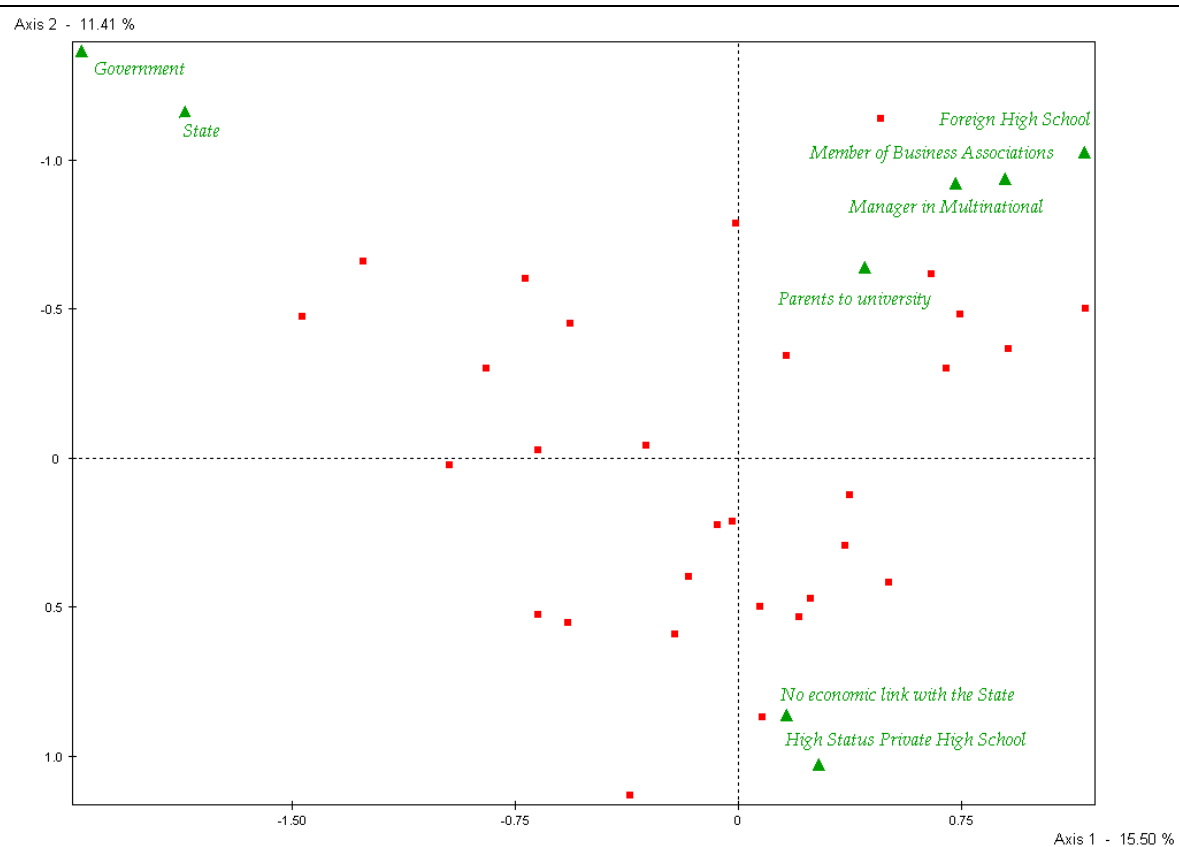


Figure 5.4 Attributes that contribute the most to the variance of the second axis (sum=20%) on plane 1-2

Roughly speaking, the second axis opposes: a) agents that went to national, high-status, private universities (positive) and that do not engage in economic relationships with the state to simultaneously b) agents that work for the state and for multinationals (opposed by the first axis).

				Contribution			Coordinates			
				Axis 1	Axis 2	Axis 3	Axis 1	Axis 2	Axis 3	
	Code	Explanation	Squared distance							
Education	High School	SF Foreign Secondary education	1,994	6,21	6,58	1,67	1,16	-1,03	0,48	
		SPriV High Status High School in Venezuela	6,268	0,86	4,32	3,62	0,24	0,47	-0,39	
		SPubV Low Status High School in Venezuela	2,564	12,61	1,81	2,48	-1,46	-0,48	0,51	
	Undergraduate	UF Foreign Undergraduate degree	3,704	7,04	1,54	0,24	0,91	-0,37	-0,13	
		UHPriV High Status Private University in Venezuela	2,279	0,38	7,51	0,00	0,27	1,03	0,00	
		ULPriV Low Status Private University in Venezuela	1,994	2,06	0,00	13,36	-0,67	-0,03	1,34	
	Major	UPubV Public University in Venezuela	3,134	5,13	0,88	5,66	-0,84	-0,30	-0,70	
		ECO Economics or administration Major	2,849	0,18	1,42	2,87	-0,17	0,40	-0,52	
		ING Major in Engineering	4,558	1,47	0,22	1,32	0,38	0,12	0,28	
	Graduate	LAW Major in Law	1,425	0,00	2,76	1,40	-0,01	-0,79	0,52	
		PGF Foreign Graduate Studies	4,843	0,30	1,76	9,05	0,17	-0,34	-0,71	
		PGNa No Graduate Studies	4,843	0,47	4,33	2,02	0,20	0,54	0,33	
Professional position	Career	PGV Graduate studies in Venezuela	1,425	5,17	1,94	8,58	-1,26	-0,66	1,27	
		ExecF Executive of a Multinational Company	2,279	2,80	6,06	0,57	0,73	-0,92	0,26	
		ExecV Executive of Venezuelan major firm	2,564	0,03	0,40	2,95	-0,07	0,22	-0,56	
	Business Association	FamV President of a Business with few stakeholders	5,413	0,07	4,20	2,14	0,07	0,50	0,33	
		Gvt Government	0,855	9,56	5,00	3,75	-2,21	-1,37	-1,09	
		UNA No participation in Business association	2,849	3,34	3,21	3,75	-0,72	-0,60	-0,60	
	State as client	UCHAM Participates in Business Association	1,709	3,16	4,69	4,66	0,90	-0,94	0,86	
		UPCHAM President of Business Association	2,564	1,51	1,39	0,10	0,51	0,42	-0,10	
		UPRES President of a Branch Business Association	3,704	0,38	4,03	0,57	-0,21	0,59	0,20	
	Reproduction	Parents Education	ETA Works with the State	1,425	11,31	6,01	1,28	-1,86	-1,16	-0,49
			VSETA Sells primarily to the State	2,279	0,50	0,01	10,57	-0,31	-0,04	1,12
			VETA Economic partnership with the State	3,989	4,51	1,11	0,28	0,70	-0,30	-0,14
Parents Social Position		VNA Does not do business with the State	3,419	0,21	7,90	1,84	0,16	0,86	-0,38	
		PPRIM Parents with primary education	1,425	0,02	3,37	0,42	0,08	0,87	0,28	
		PSEC Parents with secondary education	4,274	3,18	4,07	0,06	-0,57	0,55	0,06	
		PUNI Prents with university education	5,128	2,13	6,54	0,59	0,43	-0,64	-0,18	
		PHCOM Imp ortant bankers or imp orter	1,425	0,42	0,38	9,20	0,36	0,29	-1,32	
		PHFONC High fonction as State Clerks	0,855	0,83	1,02	0,12	0,65	-0,62	0,19	
		PHIND Big Industrialists and land owners	1,425	4,46	1,12	1,28	1,17	-0,50	0,49	
Parents Social Position		PINT Intellectual, doctors or politicians	1,709	2,18	1,25	0,41	0,75	-0,48	-0,25	
		PLCOM Small shop owners, middle management	3,704	3,84	3,17	2,76	-0,67	0,52	0,45	
	PWOR Manual labor	1,709	3,68	0,00	0,43	-0,97	0,02	-0,26		

*100/34=2,94

2 Times the average contribution is 6% (in red >3%)

Axis 1 5 variables are greater than 6 %

2 Positives 3 Negatives

Axis 2 6 variables greater than 6%

2 Positives 4 Negatives

Axis 3 5 variables are greater than 6 %

2 Positives 3 Negatives

Table 5.4 Contributions and coordinates of active variables for the first three axes of the MCA

Code	Squared distance	Agents Contribution			Agents Coordinate			Agents Description
		Axis 1	Axis 2	Axis 3	Axis 1	Axis 2	Axis 3	
Gag	4,93	17,17	4,14	1,44	-1,71	-0,72	-0,39	Head of regulation agency of the financial sector
Fid	3,89	12,22	4,33	4,69	-1,44	-0,74	-0,70	Head of a regulation agency of the financial sector
Ver	3,45	8,81	6,07	3,44	-1,22	-0,87	-0,60	Head of a Public Fund
Por	3,84	5,49	1,51	6,79	-0,97	-0,43	0,84	President of a Bussiness Association linking foreing and National Compaiaes
Mal	2,69	4,47	0,24	12,14	-0,87	0,17	1,13	President of a former maritime transport company, Head of a political party
Cia	2,76	3,77	2,28	1,74	-0,80	-0,53	-0,43	Ex-President of a Publicly owned company
Fad	3,35	2,27	0,08	16,82	-0,62	-0,10	1,33	Head of a mid-level State contractor
Urb	2,66	1,67	1,64	5,38	-0,53	0,45	0,75	Head of a mid-level State contractor
Pea	3,09	1,66	0,94	1,90	-0,53	0,34	0,45	Owner of a medium gas Company, Head of Business Association
Her	2,26	1,03	2,56	0,00	-0,42	0,57	0,00	Owner of a company in the energy sector, Head of Business Association
Pev	2,03	0,80	1,24	3,28	-0,37	0,39	-0,59	Executive officer in a Business Association, previous partner at consulting firm
Naz	1,80	0,42	0,01	1,78	-0,27	0,03	-0,43	CEO of various technology companies
Pol	2,39	0,34	3,30	1,48	-0,24	0,64	0,39	Owner of a Medium automobile spare parts company, former Head of Business association
Cha	1,91	0,09	4,72	0,00	-0,12	0,77	0,02	Owner of a company in the agricultural sector
Saa	2,06	0,02	7,19	0,00	-0,06	0,95	0,00	CEO of tubes company, Head of Business Association
Arc	1,81	0,01	8,03	0,33	-0,04	1,00	0,19	President of a company of hardware pieces, Head of Business Association
Poc	2,66	0,00	0,12	2,11	-0,01	0,12	-0,47	Ex-High executive for Melting Company, Board of a bank
Lea	3,80	0,00	4,99	1,45	0,02	-0,79	0,39	Vice President of Foreign energy company
Rog	1,76	0,02	4,80	0,54	0,05	0,77	0,24	President of Melting Company, Head of Business Association
Lar	2,51	0,04	0,03	8,13	0,09	0,06	-0,92	Executive in agro-business conglomerate, High position in Business Association
Dag	2,70	0,06	9,40	0,00	0,10	1,08	0,00	President of retail company
Vic	3,69	0,08	0,02	0,02	0,11	-0,05	0,04	Vice President of Venezuelan energy company
Nd	2,41	0,21	0,38	3,22	0,19	0,22	-0,58	President of a company in the Banking sector
Hel	2,44	0,42	2,26	4,42	0,27	0,53	-0,68	President of an import house
Aqu	2,59	0,59	3,32	1,68	0,32	-0,65	0,42	Government contractor
Vol	2,30	0,60	0,13	5,87	0,32	-0,13	-0,79	President of trading company
Pla	2,35	1,08	0,11	1,34	0,43	0,12	-0,38	Ex-President of Agro-Business, Board of Agrobusiness
Bad	2,98	1,21	0,18	0,01	0,45	0,15	0,03	Country represetative for Agro-Business Company
Men	2,82	1,37	0,48	0,16	0,48	0,24	-0,13	Ex-President of Industrial conglomerate
Gia	2,28	1,48	1,94	0,10	0,50	0,49	0,10	President of electric bateries company
Blo	2,23	1,63	0,47	2,99	0,53	0,24	-0,56	President of retail company
Dip	3,38	1,81	2,18	0,11	0,55	-0,52	0,11	Country represetative for technology Company
Ber	3,88	2,24	1,87	0,22	0,62	-0,48	0,15	Ex-Bank President, Financial consultant
MenR	2,28	3,29	1,29	0,05	0,75	-0,40	-0,08	President of construction company
Lel	2,19	3,58	0,64	0,05	0,78	-0,28	0,07	President of catering firm
Cla	2,55	3,71	2,05	0,46	0,79	-0,51	-0,22	Country Reprensative for personal Higiene Company
Sos	3,05	4,48	0,52	2,61	0,87	-0,25	0,52	President of construction company
Ull	3,39	4,92	6,89	2,63	0,91	-0,93	0,53	State contractor, energy sector
Cos	3,16	6,92	7,66	0,63	1,08	-0,98	0,26	Country represetative for Agro-Business Company

*100/39=2,5

2 Times the average contribution is 5% (in red >3%)

Axis 1	6 variables are greater than 5 %	2 Positives 4 Negatives
Axis 2	6 variables are greater than 5 %	3 Positives 3 Negatives
Axe 3	6 variables are greater than 5 %	4 Positives 2 Negatives

Table 5.5 Agents contribution and coordinates ordered by the coordinates on the first axis

The analysis of the opposition in each axis is insufficient to understand the spatial disposition at play in the plane 1-2. Both axes interlink professional and educational oppositions. To make sense of this spatial opposition we must go beyond the axes analyses towards a spatial analysis. This double spatial opposition separates on the one hand high-status private education to low status public education (as well as a career in the public sector), and on the other hand high-status national education (as well as careers in Venezuelan corporations) to international education (and careers in the multinational corporations).

This opposition echoes the one presented in the quotation at the beginning of this segment. Neither Pyt – who studied abroad, CEO of a multinational – nor Ver – who works for the government – go to long-established social clubs. Voll – Venezuelan-educated head of a trading company –, is a member, even if not an active one. However, Pyt and Ver do not attend these traditional clubs for different reasons. One is a socialist public fund manager (upper-left quadrant in plane 1-2); the other is a foreign CEO that does not wishes to network (but still attend a high status social club: upper right quadrant). We will now proceed to clarify this double spatial opposition built on professional as well as on educational divides, to showcase the poles of specialization.

A triangular structure of oppositions: neither a Guttman effect nor and educational opposition.

The second dimension evidences a triangular spatial opposition. This triangular form is the result of the prevalence of a common characteristic that opposes itself to the variable that contribute most to the opposition of the first axis. This attribute in our set is high-status, private, high-school education in Venezuela (SPRIV; n=22). Most agents in our set went to Venezuelan high-status high schools. As we saw previously an opposition between public secondary education in Venezuela and foreign high school drove the first axis. Therefore, the plane 1-2 shows an opposition between high status high school, and simultaneously public education and international high school. Figure 5.5 (p.260) provides a graphical confirmation of this opposition.

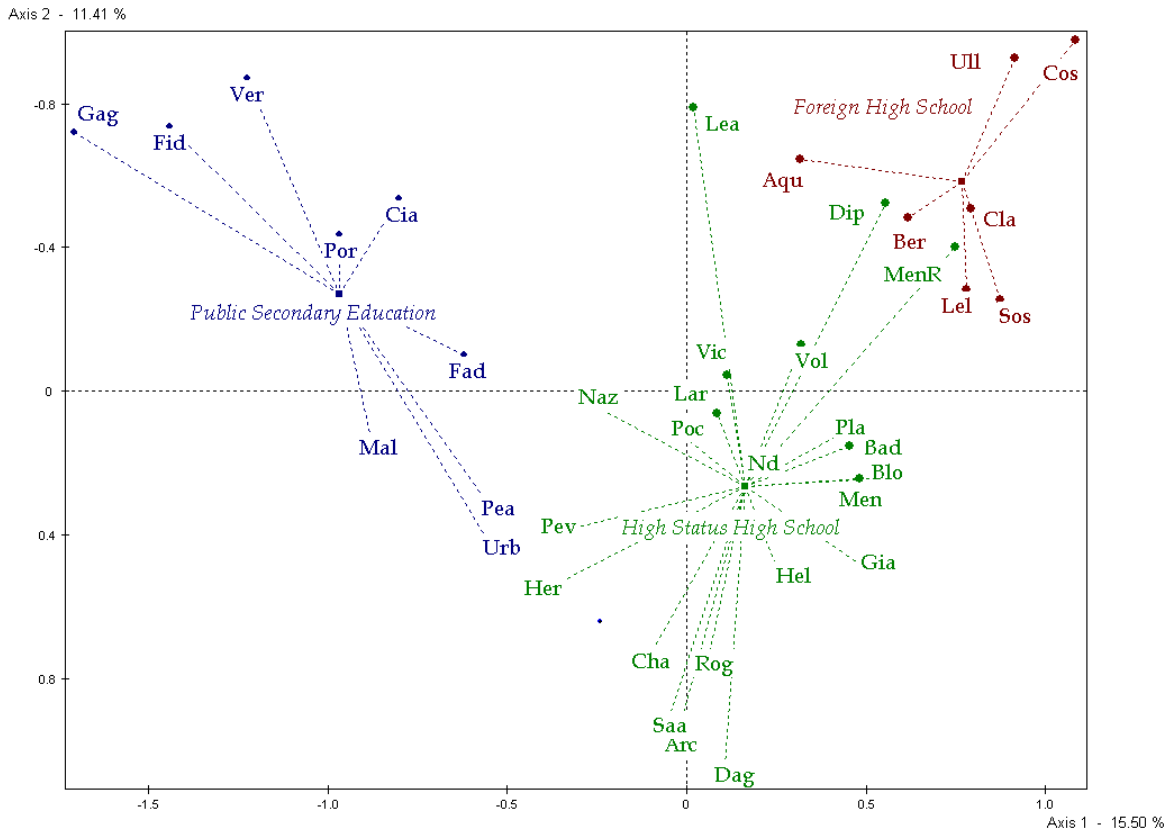


Figure 5.5 Representative cases for types of high school studies in plane 1-2

Gag, Fid and Ver are high-ranking managers in the public economic sector.

Ull, Cos and Cla are country representatives of multinational corporations

Rog,, Cha, Dag and Saa, work in smaller Venezuelan companies, participate in business associations

Figure 5.5 display a triangular spatial opposition driven by the most prevalent education in our set (high status high school). However, this spatial output presents a triangular form and not a Guttman effect¹. A Guttman effect is a parabola driven by an opposition between the median variable and the farthest elements of an ordinal variable. For instance in a question in which answers can range between 1 and 10 (and most answerers select 5), the parabola will actually follow the ordinal scale given by the range.

¹ CHANVRIL F., « L'analyse des correspondances dédoublée pour pallier à un effet Guttman en analyse géométrique des données: une application à l'European Social Survey », *documents de travail de l'ESS France*, 2008.

Our set only has one clearly ordinal variable (parent's social position). And it does not follow the opposition of the axes. Therefore, our set opposes three different groups of agents. And not the extremes of an ordinal category to its mean value. This clarification is not semantic. A Guttman effect would imply an ordered distribution along the first axis.

Our argument is that the Venezuelan social space confronts different types of economic agents. A triangular structure provides the first evidence in this direction. However, to prove that this is not an opposition that rests only on a median variable we will have to show that this evident education-driven triangular opposition, rests on interactions that are more complex. Highlighting thusly that education is not enough to make sense of the oppositions in the Venezuelan business world.

5.2.2. Poles of specialization: a statist, a private and a corporate pole

A triangular spatial opposition implies three types of spatial partitions. However, for clarity reasons we will not repeat the opposition at play in the first axis (public educated agents working for the state and foreign educated ones, working in multinational corporations) and concentrate on the opposition facing the extremes poles and the median pole opposed by the second axis.

5.2.2.1. *A statist and a private pole*

The first opposition in this spatial analysis (left side of Figure 5.6) opposes a statist (upper left quadrant) and a private-economic pole (bottom). Table 5.6 shows the variables that illustrate this opposition. On the statist pole, agents have, roughly speaking, public and low-status educations. Because of this “handicap” they over invest in their education (have graduate degrees in Venezuela). However, most of this specialization leads them to the public sector (they do not participate in business associations). Interestingly this statist pole brings together most of the state's contractors (those that only sell to the state). Therefore, agents in this statist pole do not necessarily work for the state.

	Statist pole <i>Upper left Quadrant</i>	Private pole <i>Bottom</i>
Universities	<i>public and low-status (private)</i>	<i>high status (private)</i>
Graduate degrees	<i>Venezuelan graduate degree</i>	<i>Do not have graduate diploma</i>
Business associations	<i>No affiliation</i>	<i>President of business association</i>
Relationship whit the state	<i>only sell to the state</i>	<i>never sell to the state</i>

Table 5.6 Attributes of agents in different poles of the MCA, planes 12

The attributes of the private pole (bottom of Figure 5.6) present a striking difference with those of the statist pole. Roughly speaking, agents go to high-status, private universities; thusly they do not require further education than a simple undergraduate diploma and do not even seek to obtain graduate diplomas. Their life revolves around the private sector's business associations that they preside. Furthermore, they do not sell their products to the state.

To sum up, these poles oppose a world that revolves around a public-educated, public sector and one that lives around the private sector's structures of representation. It is important to reason in terms of poles, because these "extremes" are not separated by clear boundaries. They differentiate ends of a continuum.

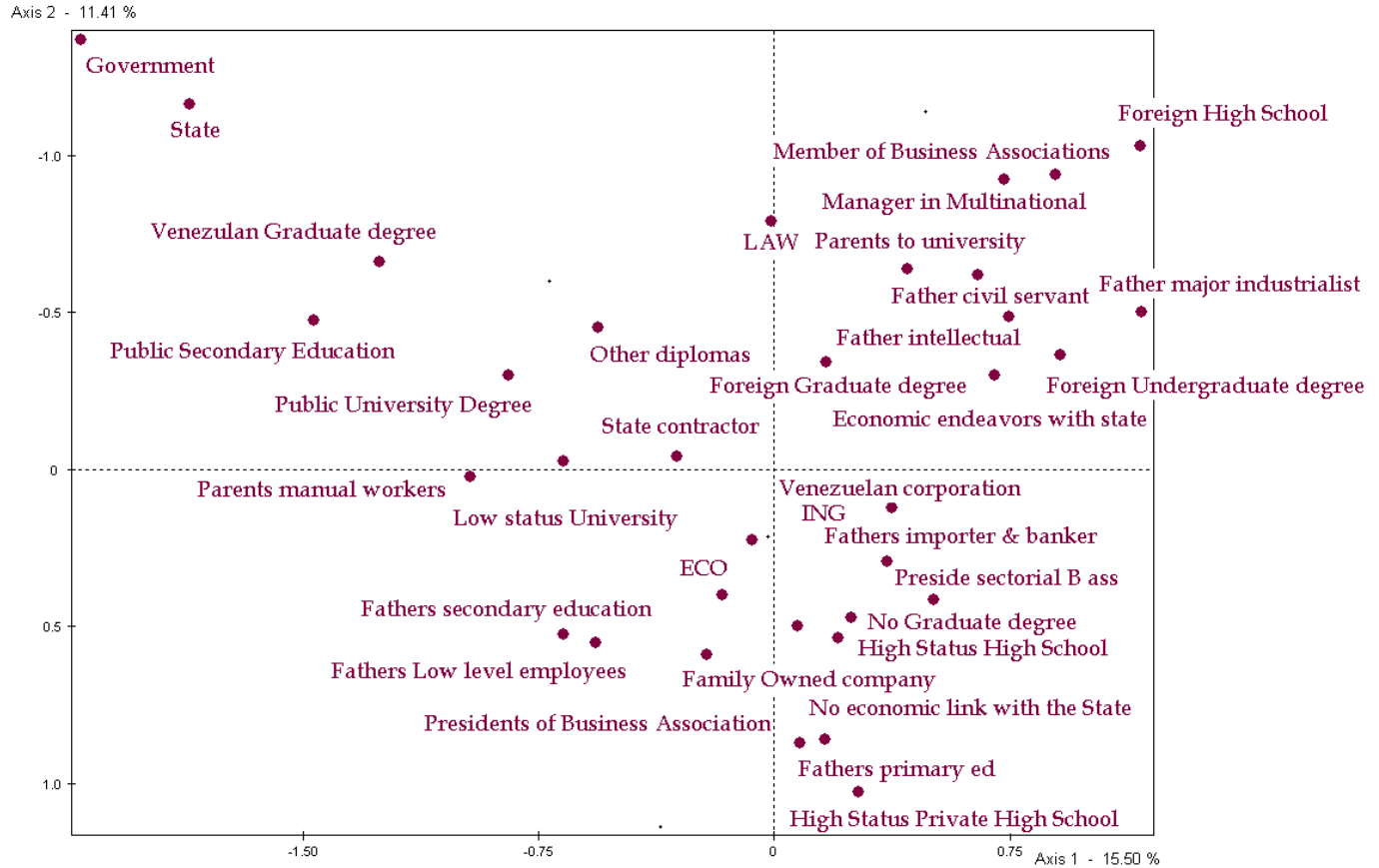


Figure 5.6 Active Variables in plane 1-2 of the MCA.

Delving into an analysis of the passive variables, we see that these poles give a first graphical confirmation on our hypothesis of structural equivalence (Figure 5.7 p.29)¹. The ends of the continuum correspond to the trajectory clusters built in chapter 4. Agents on the private pole had what we referred to as an education endogenous to the private sector (ed 2): one that lead agents into short-track corporate careers (prof 2). Agents in the statist pole have a low status private education (ed 1) and public education (ed 3), and they revolve around the state market (prof 3).

¹ Figure 5.7 displays only codes. We coded passive variables and we could not created a readable figure as we did with figure 5.6. See codes P.249

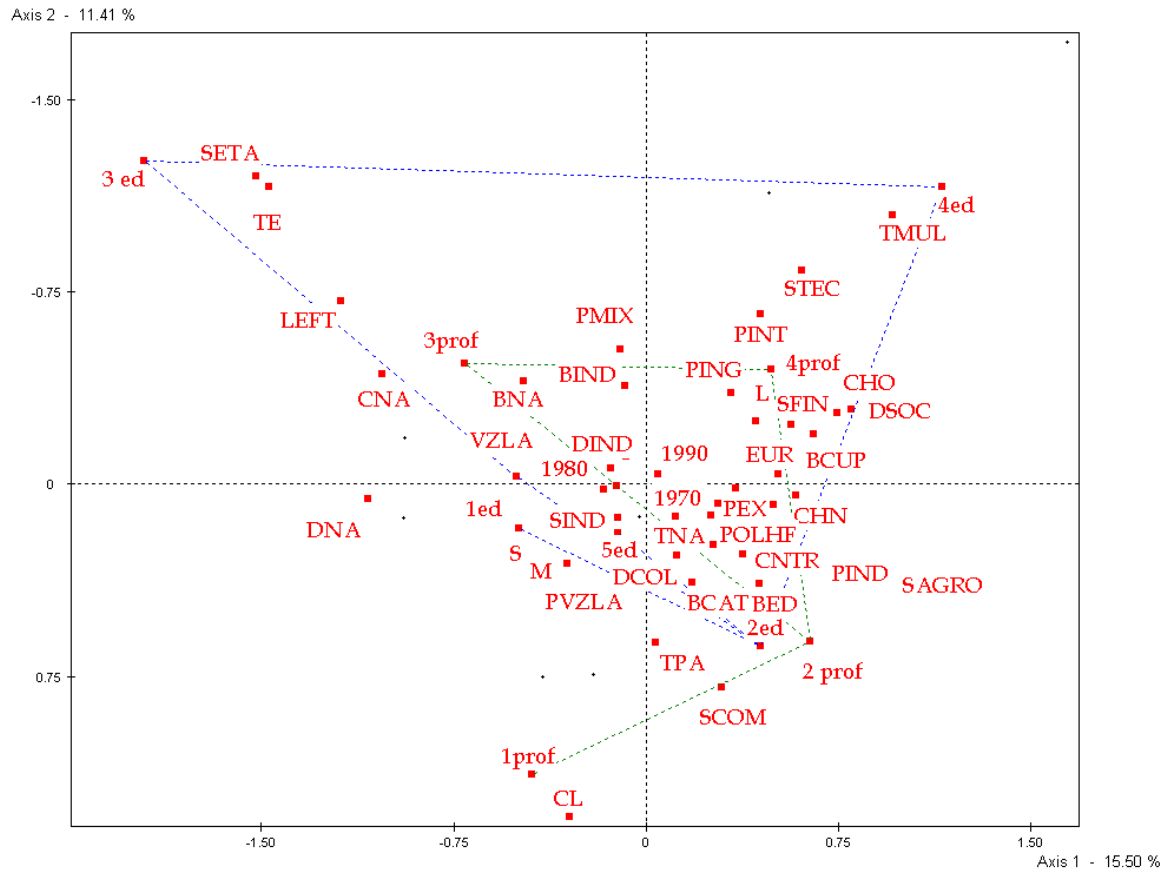


Figure 5.7 Passive variable on plane 1-2; emphasis on clusters of trajectory.

See codes P. 249.

As we showed in chapter 4, these professional and educational clusters concatenated into different trajectories. Agents in prof 3 were selected by the state economic sector. Agents in prof 2, by the private universities that educated them to rule over businesses quite rapidly. The selection process for agents in prof 3, was longer than for those of the prof 2. This is why we labeled prof 3 a “long-term” selection structure; and prof 2 a “short-term” one. The bottom of this triangle on plane 1-2 concentrates fast-track professional selection processes opposing them to the two kinds of long-term professional selections we unveiled in chapter 4. It is important to insist on this point. The bottom of the triangle in plane 1-2 corresponds to one of the vertices of the triangle (the private pole). Therefore, the second axis opposes fast-track careers and the two types of long-term selection. A professional screening within companies completed these selections. This

superposition of poles of specialization and selection structures confirms within-companies specialization. This hypothesis will be further consolidated in what follows.

5.2.2.2. *A privately owned and a corporate pole*

The second spatial opposition unveiled by this special triangular structure, opposes the private pole (bottom), to a corporate pole (upper-right quadrant). Table 5.7 presents the variables that exemplify this opposition. Roughly speaking, agents in the private pole went to high status high schools and private universities and did not seek graduate diplomas. Their education led them to rapidly occupying the presidency of small to medium size firms with few stockholders (TPA, Figure 5.7). This position allows them some financial freedom, as they do not engage with the state.

For means of comparison, the corporate pole attracts different characteristics. First, it flocks studies abroad (either in high school or for their undergraduate studies). Most interestingly, this pole gathers foreign graduate diplomas. Regarding the interpretation of the location of the passive variables, this pole show proximity with a position as the heads of larger corporations in numbers of employees and in number of stockholders (L and TNA or TMUL in Figure 5.7 p.28). These types of positions in the business world are associated with a distance from the business associations: this corporate pole attract those that attend these meetings but not those that preside over them.

	Private pole <i>Bottom</i>	Corporate Pole <i>Upper right quadrant</i>
High School	<i>high status (National)</i>	<i>high status (International)</i>
Graduate degrees	<i>Does not have graduate diploma</i>	<i>Foreign Graduate diploma</i>
Business associations	<i>President of business association</i>	<i>Belongs to business association</i>
Relationship whit the state	<i>never sell to the state</i>	<i>Part of its business is state related</i>
Size by number of employees	<i>Small and Medium (10-300)</i>	<i>Large (+1000)employees</i>
Number of stockholders	<i>Concentrated in few hands</i>	<i>Larger number of stock holders</i>

Table 5.7 Attributes of agents in different poles of the MCA, first and second dimension

This echoes what a banker told us at the end of his interview. He said that bank owners did no longer preside the banking association. By putting their unauthorized managers in charge, they were able to keep the government at arms' length. Big corporations' managers prefer to obliquely participate in business associations.

Finally, let us concentrate on our hypothesis of structural equivalence by focusing on the passive variables. Once more, the poles of this plane correspond to the clusters in chapter 4. Here as well, the opposition is professional and educational. In terms of education, the private pole is closer to a high-status, business oriented education (ed2). Whereas, agents in the corporate pole had foreign education experiences (ed4). However, despite this apparently national/international divide, these poles attract more than just diplomas of different nationalities.

Professionally, as previously stated, the private pole attracts short-term corporate careers (prof 2). On the other hand, the corporate pole is closer to the variable for long-term corporate careers (prof 4).

In chapter 4 we differentiated long-term and short-term corporate careers based on the number of hierarchical steps an agent had to climb to achieve a presidential position in his company. Agents in prof 2 rapidly occupied executive positions in their firms and then occupied the presidency. Agents in prof 4 undertook longer careers before securing presidential positions.

Therefore, what these two poles are really separating are the attributes required by different legitimate ways of climbing to the presidency of a private sector corporation; not the nationality of the agents. On the one end of the continuum (bottom), there is a fast transmission of the powers to manage companies with few stockholders (family-owned companies, for instance), on the other (upper-left quadrant), a long-term process of corporate selection. Agents embarked in longer careers require longer studies and must have a foreign graduate diploma (usually an MBA but not exclusively). Multinational companies demand these long-term hierarchical selections from their country representatives. This is why the corporate end of the continuum is driven by nationality. However, the agents in our data set with long-term corporate careers do not only work for large multinational corporations. A handful of national corporations have adopted this same method of selecting their managers. Therefore, in line with what was previously stated, this opposition

between poles of specialization also fit the variables that differentiate types of companies. Furthermore, they also fit long-term selections processes.

Generation and new money.

Ever since Pareto introduced the notion of the circulation of the elites, researchers working on elites have tried to assess whether there truly is a generational circulation among elites. Venezuelan debates also have asked the question¹. However, what figure 5.7 (p.28) implies is that “the generation” does not define this social space. Our coding for the year of birth includes a hypothesis about the conditions under which the agents have “learned their craft”. In this MCA, “generation” is a practical concept. We assume that someone that began his or her professional life during the boom years (1970’s) would have had a completely different experience from someone that lived through the economic situation later in the 1980’s (multiple devaluations and pegged exchange rate) or the 1990’s (economic liberalization and 1994 banking crisis). Not even thusly, however, did age count as a factor. This is of major importance as several economic analyses rest on the idea of “generations” of new rich men sponsored by the state. What our analysis suggests is that the state sector allows for agents with lesser diplomas to ascend into the business structure. This is not a new phenomenon, as our data set accounts for some agents that worked in the state sector during the Fourth Republic.

This lack of “generational effect” however, does not exclude a mechanism of social reproduction. On the left side of the plane 1-2, agents’ parents were workers and low-level employees, whereas on the right hand they had relatively high position in the commercial and industrial sector. They even had fathers that occupied important positions as civil servants or that were intellectuals (right). What emerges from this analysis is that some fathers are able to send their offspring to elite’ schools. Others cannot afford that luxury. For people that have either public education or low-level university education, the public or the semi-public sector offers careers that lead – or led – them into the high spheres of the economic world. However, this does not mean that the public or the semi-public sector cannot also attract agents with proper education.

¹ ZAPATA J.C., *Los ricos bobos*, op. cit.

Figure 5.6 inform us of one additional aspect, related to what we discussed previously in Chapter 4. To give more flesh to this statistical analysis we compared the “*bolibourgeois*” to other businessmen. To refresh our readers’ memories, the *bolibourgeois* are a group of executives with lower social backgrounds that enhanced their assets by engaging in business deals with the socialist state.

A group of variables that resemble those that a *bolibourgeois* would have emerges out of this MCA. There is a clear proximity between a group of characteristics that could very well be associated with a bolibourgeois as they are also characterized by a low-status education, state contracts and rapid ascent from the lower-class.

Shifting to an analysis of the agents in the plane 1-2, we see that the lower -left quadrant in Figure 5.8 (p.33) brings together agents that had state contracts (during the Fourth Republic) and those that now have state contracts. Furthermore, this group of agents is located at the middle ground between the “pure national” private businessmen’s pole and the statist pole. A more close analysis of the agents that this space opposes on the first two axes will clarify the distinction between poles of specialization.

5.2.2.3. *A status-driven opposition*

The plane 12 creates three distinguishable poles: a statist, a privately owned and a corporate pole. Building on these findings, we are now able to understand which agent are opposed in the plane 1-2. Figure 5.8 (p.269) projects the agents on the plane 1-2.

The first axis opposes agents with high status and low status attributes. To exemplify this we colored the dots according to their participation in social clubs. High-status clubs are colored in green and blue (respectively for timely and more recent high status clubs). Low-status clubs or no clubs are colored respectively in purple and red.

Except for Her and Saa (which are on the left side of the plane), the right side of the plane 1-2 stands as a barrier of exclusive social practices. On the right side of the graph agents go to high-status social clubs in Caracas or Venezuela’s most important cities. On the left side, they either do not attend, or go to low-status clubs. Adding to what we argued previously, select practices emanate from a structure of positions in the economic world, and not the contrary. However, this seemingly

anecdotal point adds to the analysis of this social space. The first axis thusly clearly opposes two kinds of economic agents: a) one that is high-status where agents come from “good families” and attend prestigious social clubs, and b) one with less panache.

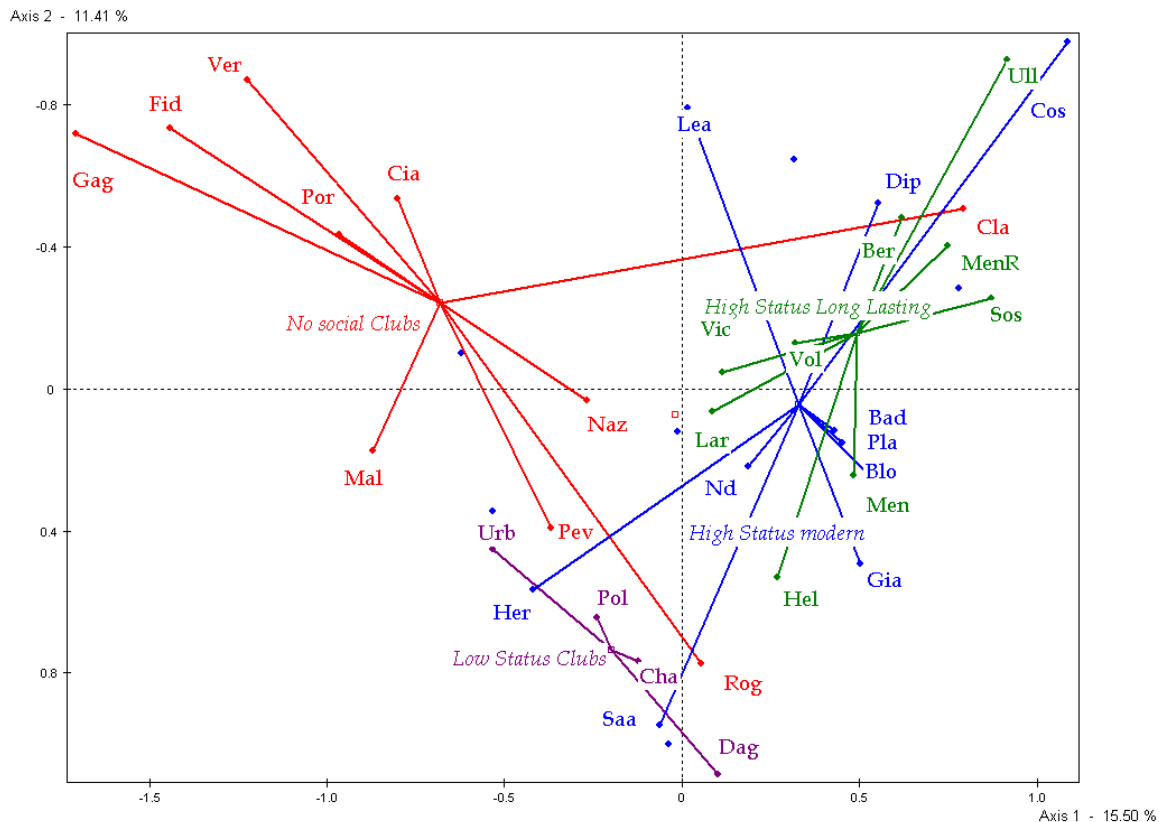


Figure 5.8 Agents in the social space (first and passive axes) colored by clubs

This high-status/low-status opposition is seldom studied. The sub-group of small to medium size business people – between the purely private, national pole and the state pole in Figure 5.8 (attending low status clubs) – is of great importance. These are men with low-status careers that are mostly selected by their proximity with the state sector.

It is important to keep in mind that in a country such as Venezuela, massive returns on capital can rapidly occur. Therefore, medium-size company owners can expand fast. This graph show that they have an available pathway to achieve economic success. One that allows low-status businessmen to surface using state connections. Furthermore, in the midst of a self-proclaimed socialist

revolution, demonstrating one's lower status can prove economically beneficial¹. More importantly, however, we see that a fight crisscrosses the Venezuelan business world. This fight over status is built on a structure that allowed agents from relatively lower-class backgrounds to ascend into the business world.

¹ Both chavist affiliated business associations we studied during our fieldwork claimed to be representing either the business interests of the “interior [of the country side]”; or to be representatives of the small businesses”.

A low status way to the top

Before closing on this analysis of the first and second axis, we wanted to insist on the importance of this status-led opposition in the Venezuela business world. To do so, let us retake Figure 5.5 (p.25). It depicts the agents on this MCA colored by their high school education.

As we saw, foreign executives in our set also went to selective high schools in their respective countries. Therefore, high status high schools in Venezuela and foreign high schools create a group of selective high-school education; whereas the public education represents a low-status path. This interpretation of the location of the education variables confirms that the first axis opposes agents with high-status backgrounds and agents with low-status backgrounds.

This evidence of social reproduction shows an important structural element within our set of economic elites. An opposition of status exists. It does not rest on generations (as we explained previously). It unveils the existence of paths that lead agents from lower social backgrounds to occupying positions of wealth in the economic world. What is more important, they can achieve this without having to be co-opted by the “traditional” agents in the economic world. There is a lower status way to the top in the Venezuelan economic world. And it existed before Hugo Chavez got to power; and it has always rested on state benefits.

This, however should not make us miss the fact that high-status high schools in Venezuela accept larger groups of students than it might appear. For instance at the end of an interview, a now successful businessmen told us the high-school he went to did not have enough funds to sustain itself. As much as one fourth of its students were not able to pay their education. The school survived on donations from wealthy alumni. This assertion can be quantified. Table 6.8 crosses agents’ educations and their fathers’ social background. The category “low” merges the categories PLCOM (lower positions) and PWOR (manual workers). The category “high” merges all the other categories and include agents from well-to-do backgrounds. Out of the 22 agents that went to a high-status high school in this set, nine were from lower-status origins. All of the nine agents that attended low-status high schools had fathers with low-paying jobs. However, we must not miss the fact that half of the agents in our set from lower social levels went to high-status high schools in Venezuela.

	High-Status Background	Low Status Background	Total
Foreign High School	6	0	6
High-Status High School in Venezuela	13	9	22
Low-Status High School in Venezuela	0	9	9

Table 5.8 Simplified social background and secondary education

This is why we argue that this status opposition is not entirely a matter of social reproduction. What this space unveils is a structure that legitimately selects the economic elites. As we saw, schools are pegged to different types of universities. Therefore, what opposes agents in this set are the pathways that validate them. An agent from a lower background can access the economic world through either high-status or low-status careers, even if agents from high-status *milieu* prefer to go to selective high schools.

5.2.3. Poles of specialization and long-term careers

This interpretation confirms that agents range alongside poles of within-company's specialization. In return, these poles form a triangular structure driven by the first axis of the MCA that separates agents with low-status and high-status trajectories, and the second axis that separates agents with long-term and short-term professional careers.

The three poles that emerge from this configuration can be characterized thusly. On the bottom of the plans 1-2, agents flock on the private pole. In that pole, they have short-tracks careers (prof 2). On the left side of the plane, agents belong to the state pole and work in the state economic sector (prof 3). On the right side of the plane, agents in the corporate sector engage in long term corporate careers (prof 4)¹.

Using the opposition of the first axis, we infer that the trajectories of agents in the statist pole are less renowned than those of agents in the private pole. Agents in between these two poles are usually referred to as rentiers (more recently the term *bolibourgeois* is preferred). In one interview, a commodities trader referred to them as being those with “master’s degrees in the bar by the corner”.

¹ For a detailed explanation of these careers, see chapter 4.

On the other side, the space that separates the private and the corporate pole represents the more prestigious way to economic power.

This triangular form follow agents' careers described in chapter 4. This result does not seem to invalidate our hypothesis of structural equivalence. However, the plane 1-2 fails to make sense of the most prevalent feature on the literature on oil countries: agents' relationship with the state. It is important to delve into this topic. This work will only add up to the existing literature if it can engage in a debate that makes sense regarding that body of works. Adding to the findings that the second axis opposes fast tracks and longer processes of selection, we will now show that the professional specialization of the business elites drives their relationship towards the state.

5.3. Differentiating companies: Graduate diplomas and economic relationships with the state

The third axis builds on a double opposition. It first opposes Venezuelan graduate degrees (bottom of Figure 5.10 p.277) and foreign graduate degrees (top). Secondly, it faces attributes of state contractors (bottom) and that of agents that never sell or that only partially engage with the state (top).

Third axis: national and international graduate studies.

The third axis explains 9.58% of the variance ($\lambda_3=0.27$). It first opposes national and international graduate diplomas. This axis is explained by five variables worth more than twice the average contribution (ULPriV, VSETA, and PGV are negative; PHCOM and PGF are positive; respectively studies in a low-status private university, sells only to the state, graduate studies in Venezuela, father was a wealthy merchant or banker and has a foreign graduate diploma).

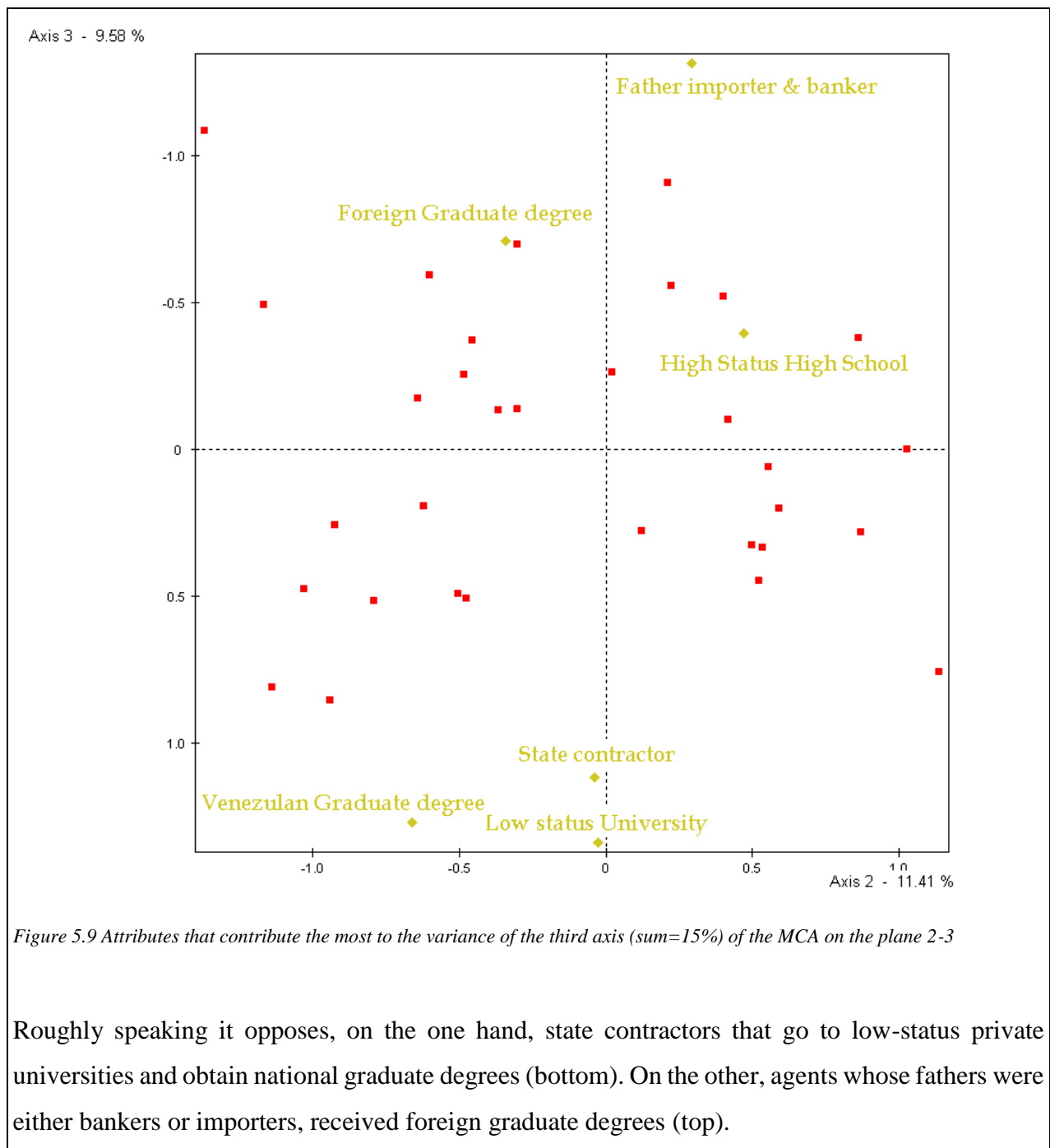


Figure 5.10 (p.41) shows the active variables on the 23 plane. For further clarity, we highlighted the variables “graduate degree” and “economic relationship with the state”. We linked them with blue lines.

Before engaging in the description of the plane 2-3, we should clarify that foreign CEOs do not majorly influence the plane 2-3 (figure 5. 12 p. 44); this is true despite the appearance of this third axis' national/international opposition. This indicates that the opposition in the third axis describes a contrast within the Venezuelan-educated business sector. Foreign CEO's have "strange" positions in this space. Therefore, this graduate-driven opposition rests on a series of underlying associated factors. The graduate diploma is a practical proxy for a deeper opposition we will now interpret.

5.3.1. Graduate degrees, safety nets for the Venezuelan corporate career

An analysis of the agents on the plane 23 (Figure 5.12, p.44) clarifies this apparently educational distinction. It shows that this axis also opposes the attributes, only sell to the state and never engages in business with the state. The attributes engages in economic relationships with the state is located between these two extremes on the third axis. Therefore, this third axis works as a graduation between state contractors and state's pariahs.

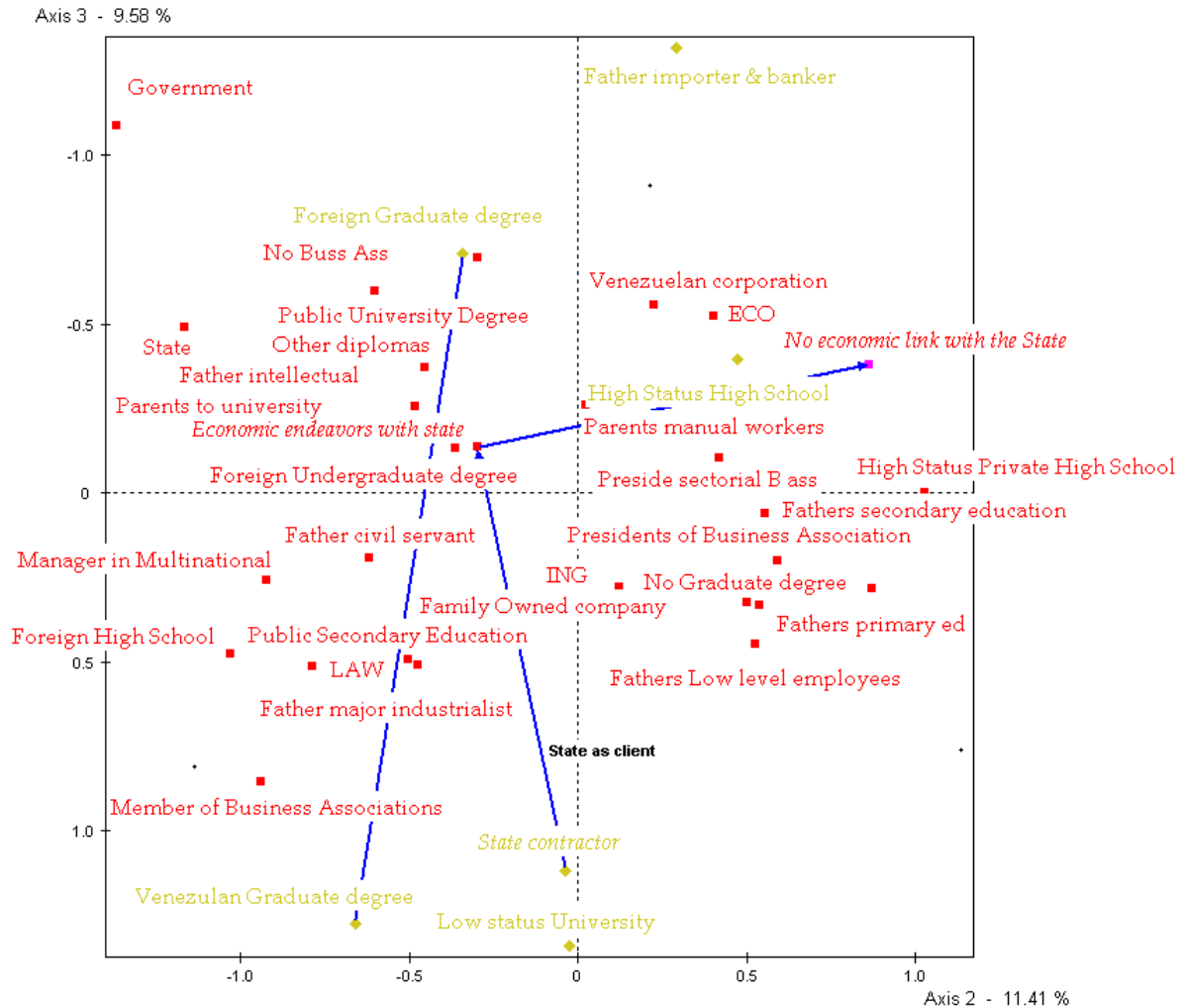
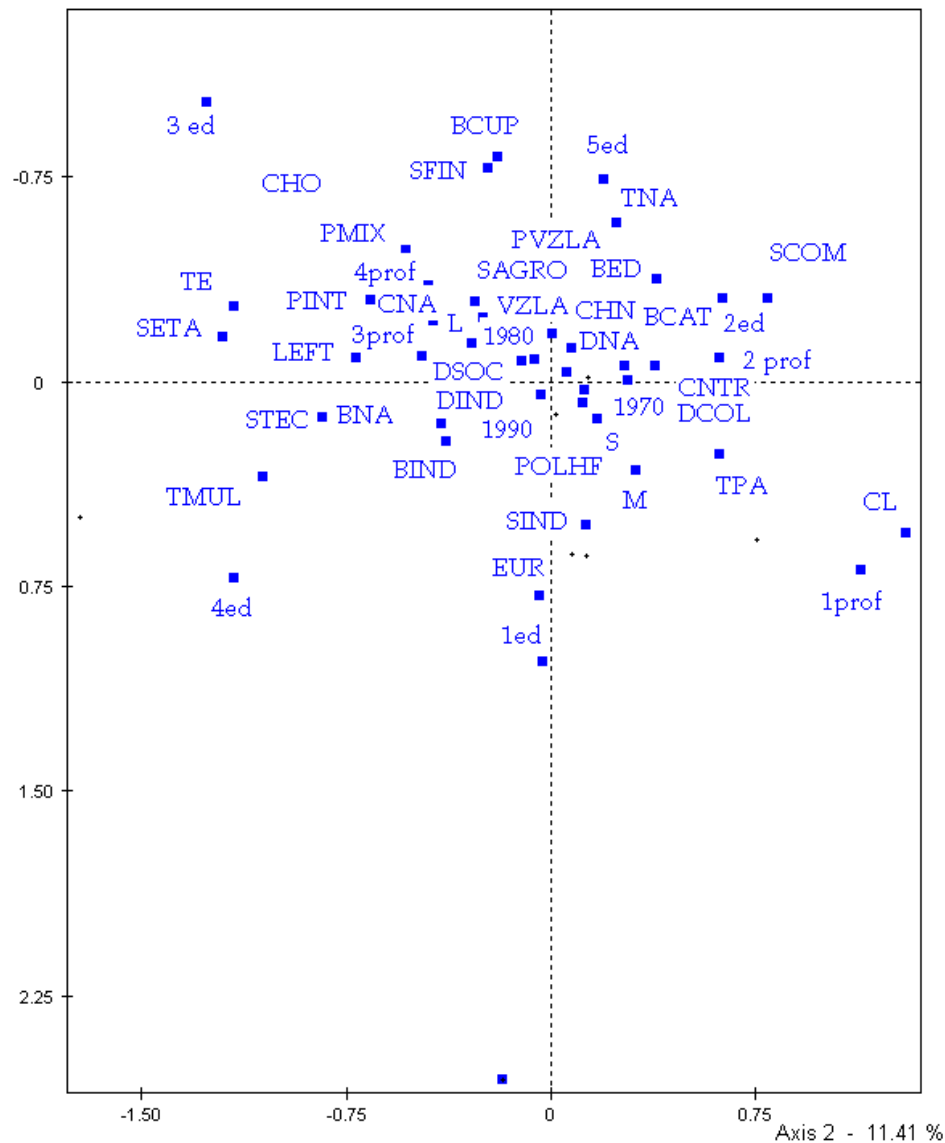


Figure 5.10 Active variables on the 23 plane colored by the most contributing attributes

Arrows in blue connect the variables “sell to the state” and “graduate degrees”.

Axis 3 - 9.58 %



See codes P. 249

Figure 5.11 Passive variables on the plane 2-3

Roughly speaking, agents with Venezuelan graduate degrees (PGV) sell to the state (or work in the public economic sector). Whereas agents whose fathers had strong economic positions, study abroad after obtaining an university diploma in Venezuela (PGF) and rule over the Venezuelan corporations (ExecV); trying – by so doing – to keep the state at a distance (VNA: does not engage in economic relationships with the state). As an MCA projects barycenters on a space of distances, only “epistemic agents” (theoretical constructions) have these characteristics. However, what this

space suggests is that agents with fathers in the commercial sector used their foreign diploma as both a buffer from the state pressures and a joker into the world of the Venezuelan corporations. On the other hand, agents with less-renowned studies in our set used their less prestigious graduate degrees to secure a position in the hectic public sector. As we showed in chapter 4, agents in the public economic sector leaped from position to position. This was not a secure path in the Venezuelan economy.

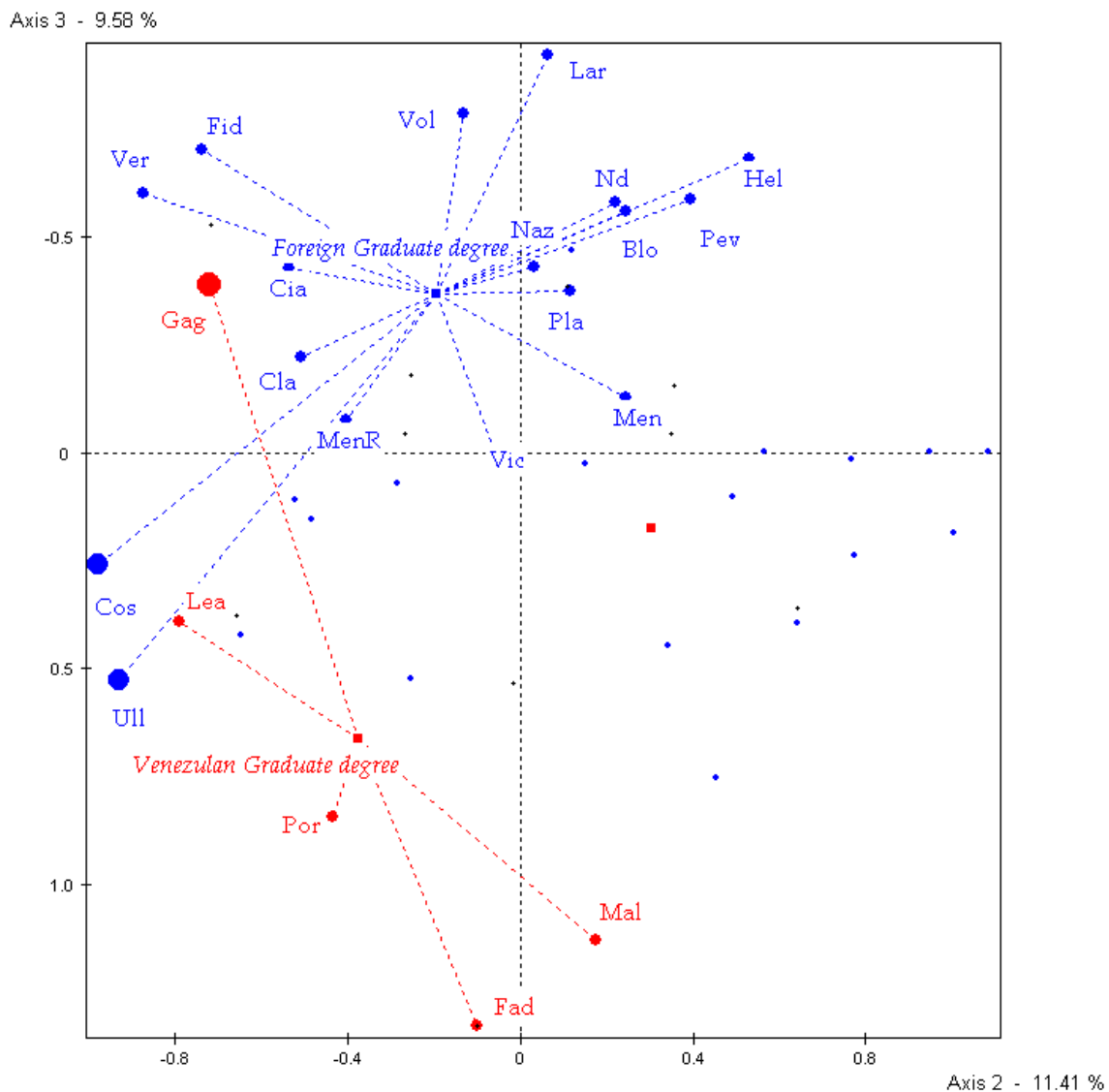


Figure 5.12 Graduate studies and outliers on plane 23

See Codes p. 258

Figure 5.12 (p.279) confirms this interpretation. It shows agents located on the plane 2-3. Agents in red obtained graduate diplomas in Venezuela. Agents in blue got foreign diplomas. We see clearly that this axis opposes agents with foreign graduate diplomas and agents with diplomas in Venezuela. The upper border of the third axis attracts agents that concluded their high school education in Venezuela and used foreign graduate studies to ascertain their national positions. The lower bound, groups agents that over-invested in their national education.

Exceptions to the rule: interpreting the outliers.

Axes in a MCA do not define clear boundaries. Therefore, some agents do not fit into the general trends that we used to clarify the poles of this axis. These seeming outliers are of extreme importance to understand the opposition at play.

The first agents to escape this split are Cos and Ull. Both have foreign graduate degrees and (blue dots on the lower left quadrant of Figure 5.12) and “should” be on the upper edge of the axis. However, they are in the lower limit of the axis. This is so because they have foreign secondary education. We used this category to single out foreigners. Thusly this third axis sets a mostly Venezuelan social opposition.

The second exception is Gag (red dot in the upper left quadrant). He obtained a graduate diploma in Venezuela and yet he is in the upper bound of this axis. This shows that graduate diplomas alone do not make sense of this opposition. Graduate diplomas are proxies for larger divides. Gag is in proximity with Ver, Fid and Cia who all work for the chavist government, although he is the only one without a foreign graduate degree. This result happened more for coding reasons than because he did not pursue an international graduate diploma. He was in a graduate program that would ultimately lead him to an international specialization course in Mexico and Chile. However, the second half of this program was canceled. So we coded him as not having received foreign training because in fact he did not, although he should have had. However, his practical course would have led him to countries that are relatively less prestigious. Therefore, the graduate diploma is associated to other characteristics. Even when an agent does not have a foreign graduate diploma,

he or she, will be located near by those that do have them; putting him in a position that indicates that he “should have” had one.

Furthermore, by understanding that agents with careers in the public economic sector engage in graduate programs in less renowned countries (France, Mexico and an ex-socialist country in this instance), we see that an apt description of this third-axis opposition must include spatial oppositions. Because an explanation based on one attribute is clearly insufficient.

5.3.2. Graduate diplomas and long-term professional selection

We will use the opposition of axis 2 to refine the quadrant analysis of the plane 23. As we saw, axis 2 opposes short-track and long-term selections processes. On the other hand, the third axis opposes agents with foreign graduate diplomas that do not engage in economic relationships with the state, to state contractors with Venezuelan graduate diplomas. It is important to note that agents with graduate degrees are closer to the left border of the second axis. Therefore, agents with graduate studies tend to embark on longer, professionally driven careers.

that used their graduate degrees (mostly MBA's, but also a PhD) to legitimate their hereditary use of social capital into a recognizable skillset.

The second group (upper-left quadrant) brings together civil servants. Logically this group is one of agents with long-term careers and foreign graduate diplomas. However, they all obtained graduate degrees from less prestigious countries.

The third group, (lower-left quadrant) brackets together multinationals', foreign CEOs (Ull, Cos, Aqu). "Logically" this group of agents should have national graduate diplomas. However, the foreign country representatives do not fit this description. Even if Venezuelan CEOs working for multinational are in this third group. This quadrant flocks multinational country representatives and higher executives. This is so because multinationals in Venezuela still engage in regular dialogue with the state.

Finally, a fourth group (lower limit of the third axis: Venezuelan graduate diplomas with short-term careers) knits together state contractors and an agent that works in the semipublic sector. Agents in this category have small to medium companies that rely on state contracts to survive. Therefore, agents with the less renowned educations (low-status high schools and low-status private universities) made lemonade out of their lemon's studies. And went into an economic career linked to the state economic sector. However, because of this handicap, they were extremely careful to invest in a national graduate diploma. Even if such credential would never open them the gates of upper management in a Venezuelan or a multinational corporation.

Spatial oppositions and clusters of trajectory.

Reasoning with the help of the supplementary variables on educational and professional clusters, we see a clear opposition in Figure 5.13 (p.45). On the upper-right quadrant, we find ed 2 and prof 2 (short-term careers in companies with few stockholders). Therefore, some agents use graduate degrees to embark on short-track careers. Some of the heirs we mentioned previously fit this description. Inside this quadrant, we also find agents with longer careers. Their studies guaranty a position in the business world (mostly MBAs). They engage in long careers with some security of

their business success. This group represents the agents that have the most secure paths in the economic world in Venezuela.

In the upper left quadrant of plane2-3, agents have either prof 3 or prof 4 careers (professional-driven, long-term careers). These attributes are located in that quadrant because, the representative cases of prof 3 and 4 range from the upper right quadrant to the lower left quadrant. Therefore, agents in our set that go through professional selection processes tend to have more foreign graduate diplomas. Table 6.9 confirms that three quarters of agents in corporate careers (prof 4) have foreign graduate diplomas. Furthermore, almost half of the agents in the state economic sector (prof 3) have a foreign graduate diploma.

Code	Description	n	Foreign Graduate degree	Venezuelan Graduate degree	No Graduate degree
Prof1	Carreer in Family-Owned Company	5	0	0	100
Prof2	Short-track Corporate career	9	33	0	67
Prof3	Career in the State Economic Sector	12	42	25	33
Prof4	Long-Term Corporate career	12	75	8	17

Table 5.9 Percentage of types of graduate diplomas by professional cluster; n=39.

However, agents that go through educationally-driven selection paths need fewer diplomas. Because their undergraduate diplomas serve as launching pads into some Venezuelan companies. Some agents in prof 2 (short-track careers) have MBA's, but most do not have them. Agents in prof 1 (medium family-owned businesses) do not have graduate diplomas. Therefore, agents without graduate degrees are located between prof 1 and prof 2 on the lower-right quadrant (Figure 5.13 p.282).

Eight of the eleven agents colored in grey in this lower right quadrant had fathers with low-class upbringings. They either founded their own companies or retook their father small businesses and made them flourish. Thusly they did not require further studies.

To simplify the information thus far, this graph opposes agents that use graduate diplomas to overcome a handicap (bad education in Venezuela) and agents that use foreign graduate diplomas to secure their position within professional selection structures. It is important to remember that

there are two types of foreign graduate diplomas in Venezuela: a) that of well-known – mostly American – universities, and b) that of less renowned foreign institutions. High-prestige education – in this set – generally leads to positions in the private sector. Less so, conduce to governmental positions in the (socialist) state.

5.3.3. Status and state-linked economic activity: the low-status state contractors

Figure 5.14 clarifies the difference between these two types of foreign diplomas. As we saw, the first axis differentiates agents with high-status careers and social practices from those that do not have them. The third axis opposes agents with graduate degrees earned in Venezuela and other countries. This graph locates the agents on the plane 13 and colors them by their economic relationship with the state.

Coding the economic relationship with the state

The category VETA was coded from the interviews to support the oil-state theory. Therefore, we coded agents in each company that mentioned an economic relationship – as tenuous as might be – with the state. This is an exaggerated category. So for instance, Lar does “business with the state” (VETA) because as an executive in an agribusiness firm he had to hold some economic talks with government officials that could lead to some sort of exchange. Thusly we coded him as VETA, as we did for Vol. Although he himself does not deal with public clients, he does work in a sector where he is bound to hold talks with them.

However, agents such as Fad do most of their business as state contractors. This is why we coded them as VSETA (only sells to the state). Blo and Hell take great pride in not selling to the state, and were coded as VNA (do not sell to the state). This category highlights agents that either only make contracts with the state, or do not. Any intermediate position is coded as engages with the state (VETA).

In figure 5.14 the pole that does not sell to the state is located on the upper-right quadrant. If we cross our interpretation of the quadrants, this would bring together high-status agents with foreign diplomas. Therefore, agents with distinctive graduate diplomas are free to make money outside of

the state contracts. Confirming our previous interpretation, agents with low-status, foreign diplomas (upper-left quadrant) tend to work for the state.

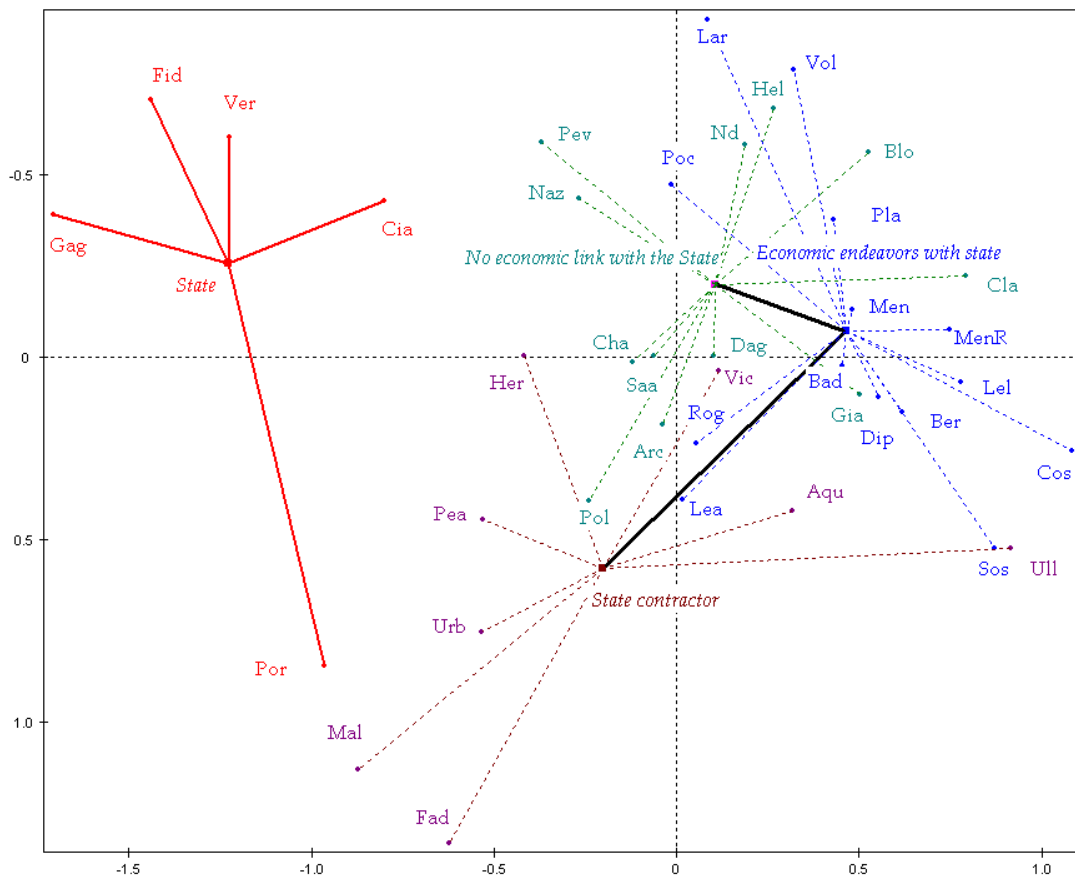


Figure 5.14 Agents on the plane 13 colored by economic relationship with the state

See codes p.258

However, what is most impressive about this graph is that it unveils the reason why agents in our set chose to pass deals with the state or not to. Those that have foreign graduate degrees mostly do not sell to the state (either because they work for the state, or because they really do not themselves sell to the state). One major exception can be found in the agents in the multinationals or those working for the multinationals as sub-contractors (such as Sos). Aqu, Sos, Ull, Cos, are either major state contractors or at least have regular talks with state officials.

The second group of agents that work for the State, is located on the lower left quadrant. Agents in this quadrant are either state contractors or work in government-friendly business associations (which earn them public contracts). What is most interesting about this quadrant is that it brings

together agents that do business with the state, and agents that were state contractors, or state-linked during the fourth republic (Pol and Mal).

Therefore, in line with chapter 2's theoretical predictions, two types of agents engage in economic agreements with the state in socialist Venezuela; at least from our set. This strategy toward the state is connected to the type of graduate diplomas that agents obtain. As graduate diplomas are valuable in professional selection-structures (prof 3: state market; and prof 4: long-term corporate careers), this means that a relationship with the state is tightly linked with the type of professional position an agent already has. Therefore proving our within-company specialization hypothesis, an agent's strategy towards the state is subservient to the position on the social space; which is driven by the specialization of the business elites.

The first group works in multinational companies and engages in large – and technology-driven – contracts. The second group has lesser qualifications (its members try to better themselves by multiplying their diplomas in the country) and contact the state for smaller deals in extremely focalized matters.

However, since the boundaries are tenuous, this does not mean that agents outside these categories do not engage with the state. It means that they only contact the state to support their core activity, although, a socialist state is less prone to protect the private sector. What might have looked like protectionism in the past (contacting the state) is now, for political reasons, a strategy for survival.

Therefore, figure 5.14 (p.286) shows that business elites in Venezuela are not “rentier” by nature. They do not access the state because of a burdening cultural curse. Contact with the state makes sense within a social and relational space in which using the state is not necessarily the safest of strategies.

Having showed first that agents located on the economic space gravitated around – thus forming – poles of within-companies' specialization. And subsequently that these poles predicted the relationship that business elites had towards the state. We now need to prove our second hypothesis, which is that specialization is a long-term process. To validate our hypothesis we need to show there is a relationship of structural equivalence between the poles of specialization and the careers described in the previous chapter. Up to this point, we have shown that this seems to be the case

for the first 3 dimensions. A hierarchical cluster analysis on all dimensions will strengthen this evaluation.

5.4. The long term process of within-company specialization

We now need to confirm that specialization is a long-term process conducted within the companies. We will proceed in three steps. First, we will locate the clusters resulting from a cluster analysis on the plane 1-2. This graphical analysis will lead to a confirmation that clusters correspond to our description of the poles of specialization. Subsequently, we will match these poles of specialization (as defined by their clusters) with the careers of the business elites described in chapter 4. This will confirm that agents in poles of specialization have convergent educational and professional trajectories.

5.4.1. A graphical confirmation of the link between specialization and trajectories

Allow us first to cluster our MCA data set. Because we have a small number of interviewees, we will select 4 classes¹. These will be numbered from bottom to top (Classes 1 through 4). Figure 5.15 (p.289) presents the more similar agents in the MCA considering all the planes. This dendogram confirms that clusters follow the poles of specialization. On the bottom of the figure 5.15 agents work or worked for Venezuelan corporations and multinational companies. In the middle, agents have leadership positions in business associations; then they are state contractors and at the top, agents work for the public sector.

¹ Even if both are clusters, we use the word cluster for groups in chapter 4 and classes for groups in chapter 5.

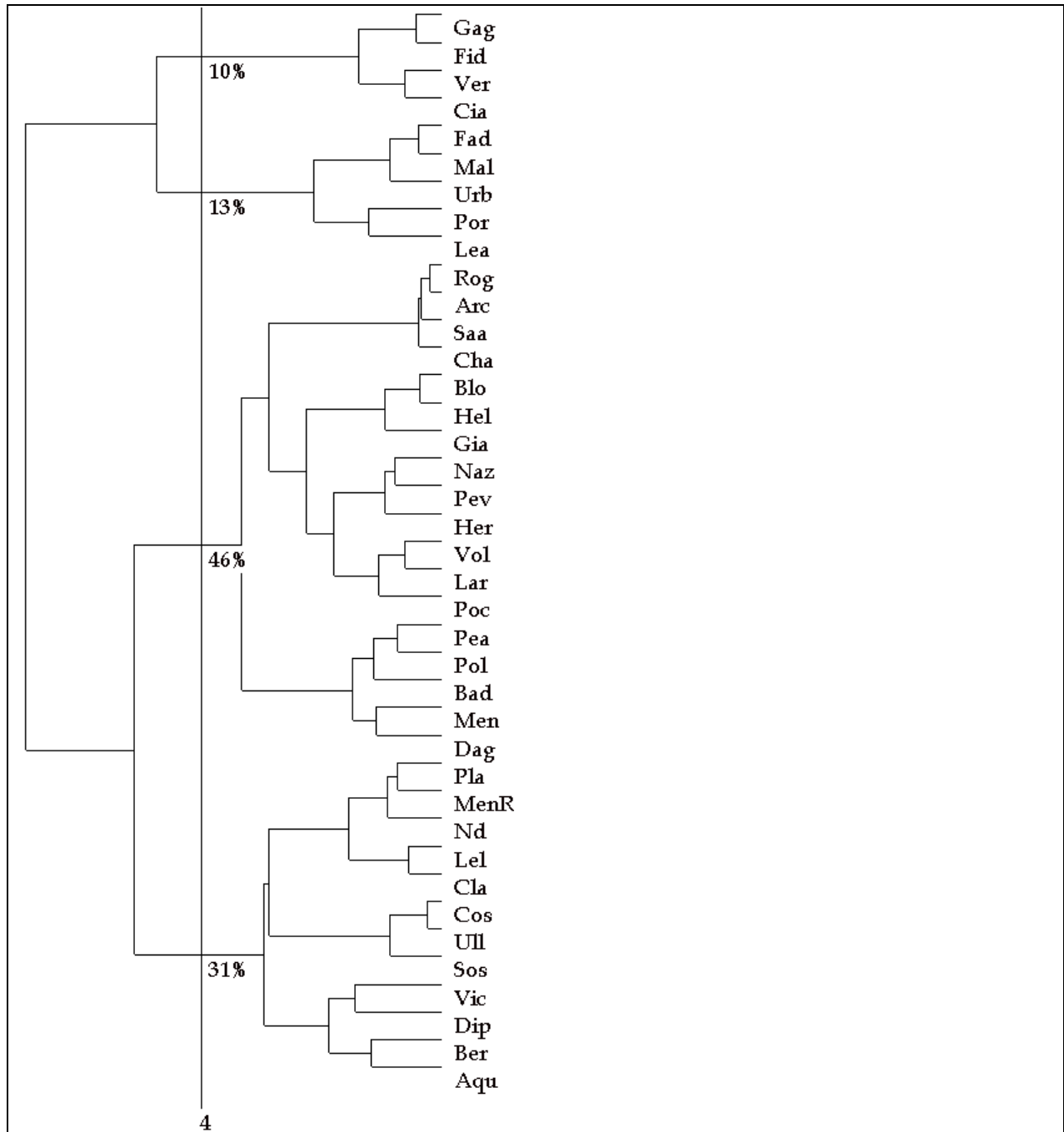


Figure 5.15 Dendrogram for hierarchical cluster analysis.

This qualitative assessment of similarities between agents holds even at a person-by-person comparison. For instance, from bottom to top, Aqu and Ber were both successful bank executives active in the 1980-1990's, they both sent their children to the same high school in Venezuela, and

both saw their careers hit by the rise of Hugo Chávez to power. On their side, Dip and Vic both worked in the oil sector, and both had fathers that were important civil servants during the fourth republic.

To give a few other examples, Ull and Cos are two of the four “foreigners” in our set. At the time of the interview, they worked as heads of major multinational companies in the country. One in the energy sector and the other in an agribusiness. Cla and Lel, both went to high school in Venezuela before returning as heads of important businesses (one in a multinational, the other in a family company) in their later years. Continuing upwards on the dendogram, Vol and Lar families have had economic activities in the country for generations, although, none of them works in a family-owned business. Blo and Hel are heirs of a long line of German merchants in the country. They work in their family businesses.

To give only some final examples, Saa, Arc and Rog, all are influential figures in the Venezuelan business associations. Urb, Mal and Fad created relatively big businesses with the help of their connections with the Venezuelan port authorities. Their businesses were extremely reliant on those connections. Once the situation shifted, their activities decreased substantially. If one would want to label them, they could be called shady exporters. Furthermore, Urb and Mal had extremely positive views of the deceased founder of the Christian-democrat party COPEI (Comité De Organización Politico Electoral Independiente – Politico electoral, Independent organization committee). One of them even use to play domino with him.

Finally, Cia, Ver, Fid and Gag, are civil servants in the socialist state. However, Fid and Gag are long term extreme left-wing militants. Which explain their proximity on the dendogram.

A graphic location of the agents on the plane 12 (Figure 5.16), show that classes follow the triangular structure of the poles of specialization. By focusing on the persons in each class, we observe that agents in Class 1 work for multinationals or larger corporations. Agents in class 2 work for smaller family-owned companies. Finally, agents in Class 3 and Class 4 work for the state economic sector. The former are state contractor, the latter civil servants. This spatial location matches the poles of specialization described before. However, it refines our characterization as it shows that groups exist within poles of specialization. Class 3 is located between what we referred to as the private pole and the state pole. Urb, Lea, Mal, Fad and Por work with the state, but in a

strange position. These are the agents in our set that most resemble the definition of the Bolibourgeoisie.

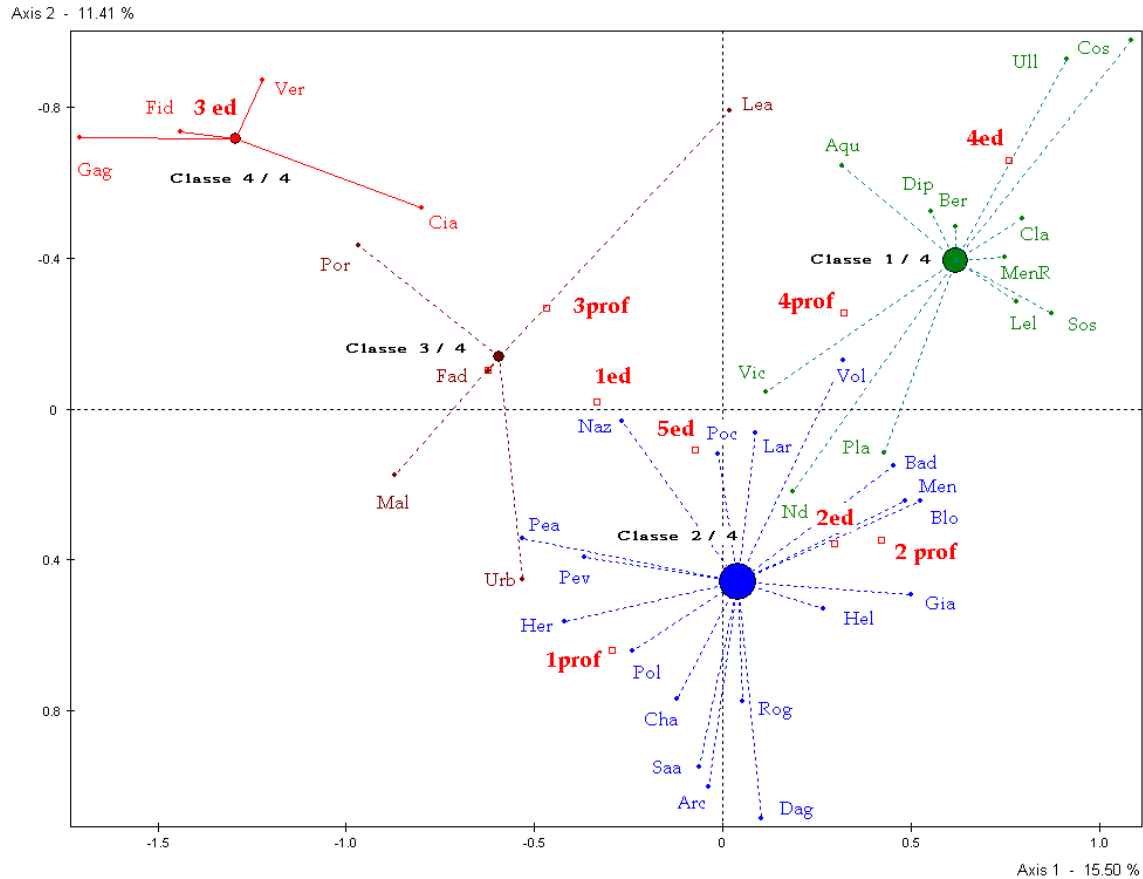


Figure 5.16 MCA Classes, educational trajectory and professional career clusters on the plane 12

See Codes p.258

Furthermore, on the plane 12 this graph seems to confirm that specialization match long-term trajectories. First, the state pole is confounded with the ed 3 cluster (low status public education). The corporate pole is closer to ed 4 (international education). Finally, the private pole is located near ed 2 (high status private education in Venezuela). Digging into the professional clusters, however, we see that prof 2 and prof 4 are located between the private pole and the corporate pole. Similarly, prof 3 is located between the private pole and the State pole. Only prof 1 is close to the private pole. Therefore, it appears as if the education clusters are close to the MCA classes, and as if the professional clusters are located in between the poles.

This is in line with our findings in the previous chapter. We saw that prof 3 and prof 4 (long-term selections) received agents with multiple educational backgrounds. The most homogeneous professional cluster were prof1 and prof 2 (fast tracks) both closely associated with ed 2 (private high status education). Therefore, these poles have to be understood more as probabilistic nuclei around which agents with similar characteristics revolve and select professional paths rather than limiting characteristics that determine their economic actions.

However, this conclusion is based on a graphical interpretation of the first two axes. We will now confirm these results with a cluster analysis on all the dimensions.

5.4.2. Characterizing MCA clusters: poles of specializations and careers

To confirm the equivalence between long-term career-paths and poles of specialization, we now need to characterize these clusters. Table 5.10 shows a hypergeometric test for the comparison of the mean of a group to a reference mean. The test statistic is based on a normal approximation: the smaller the probability the more evidence of a significant difference; a representative attribute has a P-value under 5%. This table characterizes the clusters by its over and underrepresented active variables.

5.4.2.1. *Active variables: matching poles of specialization and clusters*

A characterization of clusters with active variables shows that MCA classes matches poles of specialization. Class 1 (the Corporate pole) can be identified by three type of variables. First agents in this class studied abroad. 58% of the class is identified by foreign high school and undergraduate education. However, this is not an exclusively educational category as 42% of agents in the class are executives in Venezuelan corporations. Finally, this class flocks the attributes for parents with high-level diplomas. 91% of the fathers in this class had university degrees, and they were either intellectuals or civil servants.

However, the farthest variables from the characteristics of this class are non-professional. The most under represented variables relate to the characteristics of the parents of agents in this class. Their

fathers were far from those that only had high school education and that worked in a medium level job in Venezuela. Agents in class 1 are also distant from those with low status public education in Venezuela.

Class 2 is associated with high status, Venezuelan high school education, but not with graduate education. This under-investment in higher education is linked to agents in class 2 fathers' lower levels of education. 75% of fathers in class 2 had either primary or high school diplomas. But fathers of agents in class 2 were not destitute, as the number of high profile merchant and bankers is over represented— even if some were poorer. Professionally, agents in this group lead business associations, and take pride in not engaging economically with the state.

Interestingly, Class 2 is far from attributes linked with graduate studies in Venezuela, studies in low status private universities, and public high school studies. Furthermore, class 2 agents do not attend foreign high schools. Class 2 fathers were not intellectuals, and did not attend university. Finally, agents in class 2 do not work for the state.

Classes 1 and 2 concentrate 70% of the agents in our set. This opposition displays a triple educational, professional and parental split. On the corporate pole (class 1), roughly speaking, agents studied abroad, had fathers with university diplomas and now work in corporations in Venezuela. On the private pole, agent's fathers were affluent merchants with almost no diplomas. This (class2) is the group that mostly does not engage economically with the state. This group (Classes 1 and 2) represents the core of the top businessmen we interviewed and included in our set. Therefore, within the “traditional” business world, important rivalries, and major differences exist.

	Variable	Attribute	% of Class with Attribute*	% of Attribute in set**	% of Attribute in class***	P-Value	n
Class1 n= 12; 30,77% of set	Secondary education	Foreign High School	58,33	17,95	100,00	0,00	7
	Parents' studies	Father went to university	91,67	46,15	61,11	0,00	18
	Business Association	Participates in Business Association	41,67	15,38	83,33	0,01	6
	+ Pos soc parents	Father had an intellectual job	41,67	15,38	83,33	0,01	6
	Pos soc parents	Father was a high-status civil servant	25,00	7,69	100,00	0,02	3
	University	Foreign Undergraduate studies	58,33	33,33	53,85	0,03	13
	Career	Executive in multinational corporation	41,67	20,51	62,50	0,04	8
	- Secondary education	Low-Status High School in Venezuela	0,00	23,08	0,00	0,02	9
	- Pos soc parents	Father had a middle management job	0,00	33,33	0,00	0,00	13
	Parents' studies	Father has high school diploma	0,00	38,46	0,00	0,00	15
Class2 n= 18; 46,15% of set	Secondary education	High-Status High School in Venezuela	88,89	56,41	72,73	0,00	22
	Link with State	Does not sell to the state	55,56	30,77	83,33	0,00	12
	Parents' studies	Father only went to primary school	27,78	12,82	100,00	0,01	5
	+ Pos soc parents	Father had a high-status position in commerce	27,78	12,82	100,00	0,01	5
	Graduate	Does not have a graduate diploma	61,11	43,59	64,71	0,04	17
	Business Association	President of Business association	50,00	33,33	69,23	0,04	13
	Parents' studies	Father has high school diploma	55,56	38,46	66,67	0,04	15
	- Graduate	Graduate degree in Venezuela	0,00	12,82	0,00	0,04	5
	Link with State	Works for the State	0,00	12,82	0,00	0,04	5
	Secondary education	Low-Status High School in Venezuela	5,56	23,08	11,11	0,02	9
	- Business Association	Participates in Business Association	0,00	15,38	0,00	0,02	6
	Pos soc parents	Father was an intellectual	0,00	15,38	0,00	0,02	6
	Secondary education	Foreign High School	0,00	17,95	0,00	0,01	7
	Parents' studies	Father went to university	16,67	46,15	16,67	0,00	18
	University	Low-Status private university in Venezuela	100,00	17,95	71,43	0,00	7
Class 3 n= 5; 12,82% of set	Graduate	Graduate degree in Venezuela	80,00	12,82	80,00	0,00	5
	+ Secondary education	Low-Status High School in Venezuela	80,00	23,08	44,44	0,01	9
	Pos soc parents	Father had a middle management job	80,00	33,33	30,77	0,03	13
	Link with State	State contractor	60,00	20,51	37,50	0,05	8
	- Graduate	Foreign Graduate diploma	0,00	43,59	0,00	0,05	17
Class 4 n= 4; 10,26% of set	Link with State	Works for the State	100,00	12,82	80,00	0,00	5
	Career	Works for the State	75,00	7,69	100,00	0,00	3
	+ Secondary education	Low-Status High School in Venezuela	100,00	23,08	44,44	0,00	9
	Business Association	Does not participate in Business Association	100,00	25,64	40,00	0,00	10
	University	Public University in Venezuela	100,00	28,21	36,36	0,00	11
	- Secondary education	High-Status High School in Venezuela	0,00	56,41	0,00	0,03	22

* 58% of Agents in Class 1 went to a foreign high school

** 18% of Agents in set went to a foreign high school

*** 100% Of Agents that went to a foreign high school are in class 1

Table 5.10 Hypergeometric Test to characterize classes with over and underrepresented active variables in set.

Before continuing with the interpretation of these classes of agents, we would like to exemplify the separation between on the one hand classes 1 and 2 and on the other classes 3 and 4. As we see from the dendogram p 55, these are the two major groups opposed by the clustering analysis (Classes 1-2 and classes 3-4). During our interviews, we use to hear references to a bunch of intruders that marauded the business world. These intruders had one of two characteristics; they either were perverse regulators that were “not as skilled as those we had been accustomed to during the fourth republic”¹. The second were the businessmen with “diplomas obtained in the bar by the corner”², people that became rich overnight with their “know-who rather than their know how”³; they were “negotiators with a once in a life time lucky strike, not skilled businessmen”⁴, and so on. Class 4 correspond to the first category, Class 3 to the second. However, we think that these two groups attract the furies of a diverse and complex business world, because, to make sense of who they are economic agents have to identify who they are not. As an analysis of the underrepresented variables confirms, agents in classes 1 and 2 are mostly not agents with low-status education, that work for the state, with working class fathers; these characteristics defines agents in classes 3 and 4.

Continuing with the analysis, Class 4 is the most homogenous group compared with the other three. A 100% of agents (in this small class) work for the public sector, went to a low status high school, went to a public university and has never attended a business association meeting in his – they are all men – life. They are also extremely far from agents with diplomas from private high status high schools. This last element might explain why the major wrangle by the government against the private sector, aims majorly at agents that are in the private pole who went to private high schools in Venezuela and that rule over the business associations. Agents in government are socially most different from people that go to such high status high schools. Within a Manichean oppositional framework, these will most likely receive the fury of the socialist rhetoric.

¹ Bad and Pla; Pla did not say that exact sentence but said one extremely similar.

² Interview Vol

³ Interview Arc

⁴ Interview Naz

Finally, agents in class 3 are located between the state pole and the private pole. However, as we see in figure 5. 16 (p. 291), Lea is also between the corporate pole and the state pole. Therefore, despite first impressions of a parabola, this category confirms the triangular form. Class3 is distant from both the private and the corporate pole. Therefore, based on the dendogram, even without the socialist civil servants, this structure would probably still maintain this triangular form on the plane 12. One of the poles would have to be labeled the bolibourgeois pole. Its characteristics would be the following. Class 3 is characterized by low status high school and private university studies and graduate degrees in Venezuela. Class 3 fathers were not destitute but had low ranking positions (they were not manual workers): small shop owners, low-level employees in companies. This class flocks state contractors. Roughly speaking, this group of agents – we described in the interpretation of plane 23 – compensates their low-level studies with graduate degrees in Venezuela and state contracts. In most countries, these could be referred to as *nouveau-riche*.

To close this analysis we see that the MCA classes fit the poles of specialization described above. Class 1 matches the corporate pole, Class 2 the private pole and Class4 the state pole. Interestingly, Class 3 is an intermediary position between the private and the state pole. This class corresponds to the social definition of a *Bolibourgeois*. We will now show that these clusters fit the trajectories of the business elites in these classes.

5.4.2.2. *Passive variables: proving the long-term nature of economic specialization*

We will now be able to start delivering the basis for a new model for understanding economic decision making in oil countries. This will be feasible if we show that there is a relationship of structural equivalence between long-term trajectories and the characteristics of agents. We summed up this relationship as the fact of linking archers to their weaponry: both and arrows, for instance. The characterization of Classes 1 through 4 with the passive variables in our MCA (Table 6. 11) shows that classes fit long-term trajectories. Educational trajectory clusters characterize classes 1 through 4. This is in line with our graphic argument. As we saw, the professional trajectory clusters were located in between these educational gauges. Therefore, this space of characteristics link agent's trajectories to their assets within the space of specialization. The fact that these groups are

associated to educational clusters, must not make us miss the fact that this space rests on various, scholar, professional and family oppositions.

	Variable	Attribute	% of Class with Attribute*	% of Attribute in set**	% of Attribute in class***	P-Value	n
Class1 n= 12; 30,77% of set	<i>Sport</i>	Tennis, Golf, Polo	91,67	41,03	68,75	0,00	16
	+ <i>c5ed</i>	Foreign secondary and University Education	41,67	12,82	100,00	0,00	5
	<i>Size of Company</i>	More than 1000 employees	83,33	48,72	52,63	0,00	19
	<i>Parents profession</i>	Father intelectual	50,00	20,51	75,00	0,01	8
	- <i>Sport</i>	No sport	0,00	25,64	0,00	0,01	9
	- <i>Parents profession</i>	Father in commerce	0,00	30,77	0,00	0,00	13
Class2 n= 18; 46,15% of set	<i>Parents profession</i>	Father in commerce	55,56	30,77	83,33	0,00	12
	<i>Type of company</i>	National Company with few stockholders	66,67	46,15	66,67	0,02	18
	+ <i>c5ed</i>	High Status High School and Private University	61,11	41,03	68,75	0,02	16
	<i>Charities</i>	Charities linked with education	38,89	23,08	77,78	0,04	9
	<i>Sector</i>	Commerce	38,89	23,08	77,78	0,04	9
	- <i>Political position</i>	Believes in free market	44,44	28,21	72,73	0,04	11
	+ <i>c5ed</i>	Foreign secondary and University Education	0,00	12,82	0,00	0,04	5
	- <i>Sector</i>	Works for the State	0,00	12,82	0,00	0,04	5
	- <i>Type of company</i>	Works for the State	0,00	15,38	0,00	0,02	6
	- <i>Parents profession</i>	Father intelectual	0,00	20,51	0,00	0,00	8
Class 3 n= 5; 12,82%	+ <i>c5ed</i>	Low Status High School and Private University	80,00	17,95	57,14	0,00	7
	- <i>Secteur</i>	Industrial sector	80,00	35,90	28,57	0,05	14
	- <i>Size of Company</i>	More than 1000 employees	0,00	48,72	0,00	0,03	19
Class 4 n= 4; 10,26% of set	+ <i>c5ed</i>	Low Status High School and Public University	100,00	10,26	100,00	0,00	4
	<i>Type of company</i>	Works for the State	100,00	15,38	66,67	0,00	6
	- <i>Political position</i>	Lef Wing	100,00	20,51	50,00	0,00	8
	+ <i>Clubs</i>	No club affiliation	100,00	25,64	40,00	0,00	10
	- <i>Sector</i>	Works for the State	75,00	12,82	60,00	0,00	5
	- <i>c4prof</i>	State linked careers	100,00	30,77	33,33	0,01	12
	- <i>Sport</i>	No sport	75,00	25,64	30,00	0,04	10
	-						

* 91% of Agents in Class 1 play tennis, golf or polo

** 41% of Agents in set play tennis, golf or polo

*** 69% Of Agents that play tennis, golf or polo are in class 1

Table 5.11 Hypergonometric Test to characterize classes with over and underrepresented passive variables in set.

To make sense of table 6.11 (p64) we must keep in mind the triangular form of agents located on the planes 12 (the vertices are classes 1, 2 and 4; and class 3 is in between class 4 and classes 1 and 2, see table 6.3 p.14). Table 6.11 clarifies a central phenomenon of the Venezuelan business world;

a phenomenon that is seldom noticed. Not all the oppositions in this space rest on the same type of attributes. Similarly to what we argued in chapter 4, this is a space where multiple oppositions are at play.

Let us first comment on the more theatrical one, which is the political opposition between class 2 and class 1. Agents in the private pole (class 2) lead business associations. Unsurprisingly, the attribute “political position is pro-businessmen” is overrepresented in this class. We coded this category for agents that did not use a left or right frame to qualify their political position (open question) but rather stood for “free enterprise” or a variation on this theme. Therefore, the class leading the business associations believes in abstract “rights for businessmen”. On the other hand, the socialist state pole defines itself as being left wing. This political opposition would have held for most of the fourth republic, as social democrat politicians would have characterized themselves as being left wing and business association leaders as liberals in an economic sense. However, this ideological divide has been deeper under the *chavista* government.

This first political opposition overlaps and educational breach we commented previously and that holds at an aggregate level. Agents in the statist pole had a low status public high school education followed by public university diplomas (ed3) whereas agents in the private pole went to high-status private high schools and attended high status private universities in Venezuela (ed 2).

This opposition holds even with regards to underrepresented variables. Agents in the state pole work for the public sector, agents in the private pole do not work for the state. This first ideological and educational division between the private and the statist pole, is the most publicized in modern Venezuela. But it is by no means the only opposition amongst the Venezuelan economic agents, nor the more heuristic to assess the strategies of agents in the business world.

The second opposition rests on a more economical divide. Agents on the private pole (class2) work – not exclusively but predominantly – for the commercial sector in corporations with few stockholders. Agents in the corporate pole (class1) work for large companies. This opposition rests on a generational division as well, fathers of agents in the private pole (class2) worked in the commercial sector (like their sons or daughters); on their side, fathers of agents in the corporate

pole (class1) worked in intellectual professions. Furthermore, fathers of agents in the private pole were not intellectuals and fathers of agents in the corporate pole did not work in the commercial sector.

An analysis of the educational trajectory clusters sheds some light on this opposition. The corporate pole flocks agents with foreign high school and university education (ed 4). However only 40% of class 1 studied abroad. Consequently, 8 out of 12 agents in the corporate pole had a different type of education. On the private pole, agents had mostly high status private educations (ed2). However, 4 out of 16 agents with ed2 educations are located in the corporate pole. Finally, we only selected attributes with a P-value inferior to .05. The trajectory cluster ed 5 (high status private high school and public university) has a P-Value of .06 as an overrepresented attribute in class 2 (private pole). Which means that ed5 is not overrepresented in agents in Class2 by just a low margin.

Therefore, despite his markedly educational opposition, these two poles indicate a professional – henceforth-economic – opposition, that rest on the type of company that agents preside. To make sense of this opposition, it is important to note that ed4 (foreign education), serves as a proxy for foreigners in our data set. All of these foreigners either rule or ruled until recently major corporations (multinational or not). However, these only represent a third of the agents in class 1. All agents in ed 4 belong to class 1, because agents in class 1 work for major corporations, not because class 1 flocks agents with foreign education. This just means that the bigger the corporations the more a foreign diploma is valued.

Similarly, class 2 flocks agents with educations that lead them to the head of companies with few stockholders: paths that went through either public or private universities but inevitably through high status high schools. These companies all share a particularity. Even if some companies with few stockholders are large (in terms of number of employees), the category TPA (few stock holders), are bound to group relatively smaller companies. Therefore, within smaller – national – companies, a national diploma is still valued. As proof that this distinction separates types of companies, 83% of agents in class 1 work for large companies. Meaning that class 1 flock major groups with complex stockownerships (Codes TMUL and TNA). Although it does not mean that all major groups are in class 1, as only 50% of agents working for large companies are in the class.

Thusly this opposition indicates that agents with private high status education in our set (either ed2 or ed 5), rule over companies owned by few stockholders. As we saw, this is a relatively safe bet. As agents that go into these companies, start leading them relatively quickly (within 10 years of professional careers, see chapter 4). Another group flocks around the corporate pole. Agents in this pole come from various educational backgrounds, and share a common characteristic: they rule over major and complex corporations. All foreigners belong to this group because they are called by their headquarters to act as country representative for multinational corporations. As a last piece of evidence that this corporate pole flocks high ranking executives with exclusive social practices, the attribute they almost all share (91%), is that they play golf in high status social clubs.

To sum up, class 1 and 2 fix the ends of a continuum in which on the one end agents have access to positions of economic power within relatively smaller – and above all less complex – organizations and at the other end they reach executive positions in major corporations (multinational or national). This distinction helps making sense of class 3. Agents have low status high school education followed by low status private university diplomas (ed 1); what is more interesting, they belong to the industrial sector. They are, however, extremely far from working for large companies. As we argued previously for the analysis of the active variables, class 3 agents were mostly state contractors. This is a group of relatively smaller companies, working in the industrial sector, which needs to access the state to improve its economic position. This is consistent with what we defined as *bolibourgeois*.

By opposing class 3 (the *bolibourgeois*) to class 1 and 2 (the corporate and the private pole), we see that, the *bolibourgeoisie* is not an epiphenomenon (or a propagandistic invention), it is however, not the most interesting observation point from which to judge the strategies of the Venezuelan business world. The opposition between classes 1 and 2; dividing large structures of ownership and smaller ones seems more heuristic to understand how economic elites make money in Venezuela.

Despite the previous complexities, tables 5.10 and 5.11 do indicate a relationship of structural homology between poles of specialization and trajectories. To use our analogy in Venezuela, archers do use bows and arrows. However, this structural homology should not be equated to a

form of social determinism. Agents in one class can have attributes that are over represented in others. This result singularizes why our framework opposes the oil state hypothesis; and completes it. Albeit its robustness, this social space tolerates deviations. This is so, because no clear boundaries exist, and clusters are only a reading map that restrains probable strategies.

5.4.3. Conclusion: a structure of specialization

This MCA analysis clearly shows the social structure that results from an oil-driven state capitalism. The first axis opposes high-status and low-status agents. The second contrasts short-term and long-term careers. The third compares national graduate studies and international graduate diploma; as it does oppose the type of economic relationship with the state. By crossing these three dimensions, we were able to suggest ways of escaping modal answers. In so doing, we unveiled a structure of complex interactions in the economic world. Even employing the variables that other theoretical schools prefer, we were able to assess a space characterized by its multiplicity. In it, economic national elites compete with multinational companies, as do small to medium state contractors, and state emporia. Within this space of economic oppositions, we find status-driven oppositions and distinctions built on social practices.

Therefore, this space did not unearth a rigid Marxist-like class structure. We have unveiled a structure of proximities that helps agents make sense of their competition and the markets in which they strive. This MCA has helped us make sense of the paradox we presented in the introduction of this dissertation, and helps us argue in favor of the existence of a system of mixed-incentives.

5.5. Conclusion: a space of lattice positions

5.5.1. Summing up: the French public swimming pool.

Let us use the image of a French swimming pool with infinite repetitions to clarify our argument thus far. In French public swimming pools, each lane is set to allow for a particular swimming style. In the first lane, swimmers crawl, in the second they breaststroke, and so on. To clarify our argument let us exaggerate this example. Let us assume that people that enter into each lane have to remain there (In real swimming pools, people can easily shift lanes.) In addition, if they want to stay in the pool they have to swim continuously. Our argument mimics this infinite French pool. Lanes – poles of specialization in our argument – exist within the social world. They accept agents with particular backgrounds and education. If new swimmers cannot crawl, previous swimmers pass them by, probably irritatedly. This limits unwanted new entrances. Agents remain in the same lane for long periods. This further consolidates the structure. From this structure that directs agents into economic lanes we obtain sets of singular skillsets. These translate into definable strategies within the economic world.

This quantitative analysis set a robust space of social proximities. Within it, multiple pathways lead to positions of power. Because they are associated with long-term trajectories and experiences, these positions can be modeled as a space where sub-groups have latticed positions. A lattice is a space where all elements have an upper and a lower bound. These positions harness the agents' worldviews and strategies. In the same way, an agent that becomes used to swimming the crawl stroke, he or she will be less proficient at swimming breaststroke. The next chapter will allow us to describe the economic strategies that emanate from this space of specialization.

5.5.2. Disproving other theories

This account helps us address the limitations of other bodies of literature. First in regards to the literature on the selection of the business elites in Latin-American we showed that an analysis in terms of various concomitant poles of specialization¹ is more suited for describing the Venezuelan

¹ SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

case than one that presupposes an hegemonic factor of specialization¹. However, completing business-oriented approaches², we confirmed that companies' characteristics translate into strategies because agents tend to have long-term trajectories within a limited scope of enterprises. Therefore, we were finally able to prove that state actions do not affect a homogeneous business sector³. This last point is fundamental as it forces us to reorient the way in which we understand state-business relationships in oil countries. State actions should therefore match this complex underlying structure. In the next chapter, we will explore how the state influenced these groups during the Chávez and Maduro presidency. Before, allow us to close this chapter with a historical epilogue.

5.5.3. 2002, Venezuela anno zero

The year 2002 was an extremely complex year for authors working on Venezuelan politics. From that point on, chavism radicalized. First, it managed to survive by creating the social missions⁴. Then, during his 2004 campaign, Chavez recurrently incurred in clashes against what he felt to be American imperialism. In December 2005, he embraced socialism⁵. By 2008, he started a campaign of land nationalizations. Different authors agree on the existence of this transformation after the 2002 events but strongly disagree on the correct adjective to qualify it. For some it helped Chavez embrace his true populist⁶ nature; for others it helped him become the true peoples' emancipator he was bound to be⁷.

On the other hand, and a puzzle arises at this point, those years brought forth extremely rare phenomena for a socialist emancipation. From 2002, oil prices rose until 2009. The GDP grew between four and ten points per year for four years beginning in 2004. New malls mushroomed all over the country⁸. The very exclusive Louis Vuitton store in Caracas was the most profitable (in

¹ CAMP R., *Mexico's Mandarins*, *op. cit.* ; DEZALAY Y. et B.G. GARTH, *The Internationalization of Palace Wars*, *op. cit.*

² PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

³ KARL T.L., *The Paradox of Plenty*, *op. cit.*

⁴ D'ELIA Y. et L.F. CABEZAS, *Las misiones sociales en Venezuela*, Caracas, ILDIS, 2008.

⁵ ELLNER S., *Rethinking Venezuelan Politics*, *op. cit.*

⁶ HAWKINS K.A., *Venezuela's Chavismo and Populism in Comparative Perspective*, Cambridge, Cambridge University Press, 2010.

⁷ ELLNER S., *Rethinking Venezuelan Politics*, *op. cit.* ; SMILDE D. et D. HELLINGER, *VENEZUELA'S BOLIVARIAN DEMOCRACY*, *op. cit.*, p. 28-56.

⁸ Interview Archimboldi, Interview Sos

terms of sales per square meter) in Latin America¹. Amid these signs of prosperity, rumors of the appearance of a group called the bolibourgeois, started to rise.

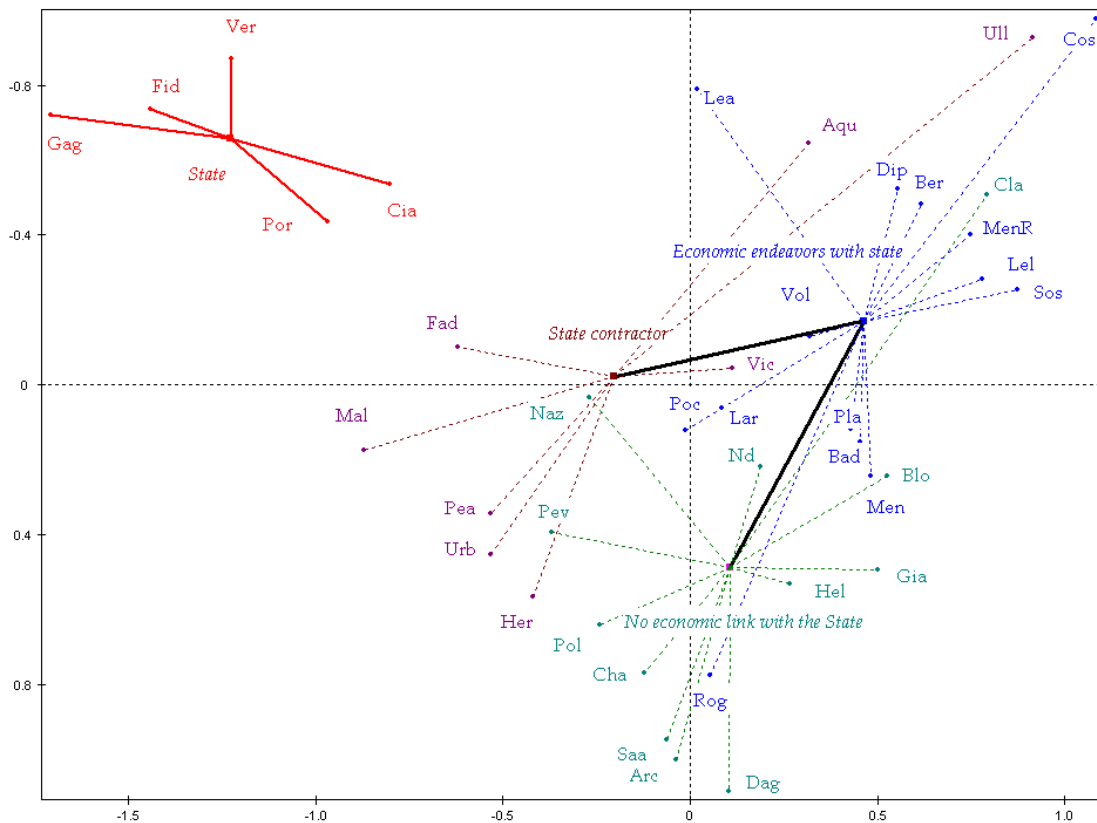


Figure 5.17 Agents on the plane 12 colored by economic relationship with the state

See codes, p.258

To someone trying to make sense of the political nature of the *régime*, these accounts clash. If we are able to distance ourselves from this political narrative, these two contradictory elements can be understood with figure 5.17.

Agents on the private pole of the plane 12, had a closer link with business associations. When these associations attempted a coup on Chávez, he “struck back”. As an economic journalist said, “he went against everything that smelled like old capital”². Therefore, he went against agents that more closely resembled the political opposition that the private pole exemplified. Two groups benefited from the exclusion of the agents that were connected to the business associations. These were: a) small to medium businessmen (class 3) and b) a group of multinational employees and foreign-

¹ Interview with fashion editor.

² Interview Baudolino

educated heirs, the corporate pole. They first embarked on a contractor's fury. The size of the *bolibourgeois* forced them to direct their efforts to serving exclusively public clients. The second were bigger and thusly able to maintain working relationships with the state as they went on with their core activity.

As is clear from this graph, the private pole is bluer than either the corporate pole or the state pole. Executives excluded from the state because of their business identity directed their efforts toward selling to the expanding middle class that resulted from the oil boom (the second source of economic activity in oil-Venezuela). This is how the 2002 political resolution brought both the exclusion of some businessmen from state contracts and economic consolidation for others.

Therefore, not only did 2002 have political consequences. It also translated this structure of social positions into a space where multiple strategies were discernible. In chapter 2, Blo referred to this as a crazy conjuncture of four markets. The question we now wish to ask is how these agents made money in this politically adverse scenario. In more theoretical terms we would like to understand what strategies emanate from this social space built on an oil-driven state capitalism.

6. Chapter 6. The sail, the motor and the crystal ball: modelling economic decision making in an oil country

“One of the ways [you could] look at [economic decision-making in Venezuela] is [through] a nautical metaphor. [Your company] is like a boat. And since the conditions in the boat are so fluctuating, you have to have a motor and you have to have a sail. Sometimes, wind stops blowing and you have to turn the motor on: you have to produce in the country. Sometimes the wind blows vigorously your motor doesn’t have much use and you have to use the sail. This is when you import.

Blo, owner of a retail company

“A banker said the other day that if we didn’t [take action in the first semester of 2014] we would have a negative growth of between 4 and 8 points. This is a serious problem. And the government knows this but it doesn’t rectify. [In these conditions] I don’t know what the crystal ball foresees”

MenR, President of a construction company

6.1. Introduction: Oil-countries Elites’ economic strategies

6.1.1. Strategies of reproduction in unstable Venezuela: social space and ordered economic action.

In this chapter, we propose a model for describing the strategies of the business elites in oil-driven economies. We contend that the concept of strategy of reproduction¹ describes accurately the ordered actions that business elites take to answer to the incentives by the oil state. This theoretical notion has two implications. On the one hand, agents have a position on the social structure². On the other hand, they adapt their reasonable economic actions³ to preserve – or expand – this position in the social structure.

¹ BOURDIEU P., « Stratégies de reproduction et modes de domination », *op. cit.*, p. 4.

² BOURDIEU P., « Avenir de classe et causalité du probable », *op. cit.*, p. 29. This concept is similar to the embeddedness of new economic sociology GRANOVETTER M., « Economic action and social structure: The problem of embeddedness », *op. cit.* ; KRIPPNER G.R. et A.S. ALVAREZ, « Embeddedness and the intellectual projects of economic sociology », *op. cit.*

³ BOURDIEU P., *The Social Structures of the Economy*, *op. cit.*

Drawing on this analytical object, our argument is twofold. First, we argue that the social space described in chapter 5 illustrates positions in the economic structure. In our model, agents do not immediately adapt to economic conditions but rather adapt their positions within this social space of within-company specialization to the economic conditions. Blo (see quote above) described this situation with the sail versus motor metaphor. Companies adapt “their equipment” to the economic environment¹.

Our second – and connected – argument relates to the uncoordinated institutional structure that generated the mixed incentives. We argue that said structure is responsible for the economic situation that agents have to face. The Venezuelan economy has been extremely unstable for the past 40 years². To make sense of this, economic agents tend to develop strategies to *foresee* the policy evolutions. They do so in order to understand the effect of structural economic conditions on their companies’ financial health. MenR summed up this required skill with the crystal ball metaphor. To make sense of the economic environment economic elites have to keep – as musicians do in orchestras – one eye on their company’s results and one eye on the policy-making process. Therefore, we argue that business elites’ strategies result from the way in which agents adapt their “gear” – their position within a space of specialization – to the mixed incentives generated by the uncoordinated oil-state. We will describe these effects after a short presentation of the literature on economic decision-making in Oil countries, focusing on the Venezuelan example.

6.1.2. The institutional foundations of a failed economy.

To introduce our theoretical proposition, we must first present the most prevalent view of the driver behind economic-decision making in oil-rich Venezuela. A consensus has been built around the idea that economic elites’ strategies are pegged to the actions of the oil-state³. Within this line of

¹ And not the other way around. The argument regarding Venezuelan companies posited that economic elites adapted their gear to the macroeconomic conditions NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas*, *op. cit.*. We argue that by focusing on the companies, the causality seems to go the other way around as strategies depend on the social structure.

² PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*, p. 22.

³ CORONIL F. et J. SKURSKI, « Reproducing dependency: auto industry policy and petrodollar circulation in Venezuela », *International Organization*, 1982, vol. 36, n° 1, p. 61-94 ; NAÍM M. et R. PIÑANGO, *El caso Venezuela: una ilusión de armonía*, *op. cit.* ; NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas*, *op. cit.* ; KARL T.L., *The*

reasoning, the intervention of the state in the economy is believed to have negative consequences; mostly explained by Dutch disease¹. Because of this overall negative environment, companies can only survive by relying on the state. This perspective assumes that long-standing companies will necessarily have to be subsidized. Therefore, to clarify, the oil-state view argues that companies in oil-rich countries are inevitably underperforming. Because state intervention is economically harmful, so this argument goes, if elites survive, it is because they are rentier: they feed out of the drippings of the oil economy.

6.1.2.1. *The paradigmatic oil state argument.*

T.L. Karl² wrote the most solid theoretical framework in this direction. Resting on the leading sector bibliography³, she argues that petrodollars influx in “non-modern” countries contribute to Dutch disease processes. In these conditions, oil states’ domestic bourgeoisies have one of two options⁴. Either they sell to the oil sector, or they “undertake low risk entrepreneurial activities subsidized by petrodollars”⁵. A similar view is held by Fernando Coronil⁶; his is also an extremely refined theoretical work. He argues that oil served as a vehicle for modernizing the Venezuelan state. From the outset, oil appeared to be undepletable. So much so, that it multiplied public revenues tremendously. This generated a general mindset. Within this worldview, oil was believed to be all-powerful; and in consequence, the oil-state was enshrined with similar qualities. Because of its “nature”, oil transformed the Venezuelan into a seemingly “magical state”. In magical states, subsidies do not need to be productive. In his post-marxist paradigm⁷, the magical-state, Venezuelan bourgeoisie, had not sought to generate benefits. Rather it had found ways to pump the

Paradox of Plenty, op. cit. ; CORONIL F., *The Magical State*, op. cit. ; CORRALES J. et M. PENFOLD, *Dragon in the Tropics*, op. cit.

¹ See below. Di John argues that the Dutch disease argument is not adequate to understand the Venezuelan case. Authors that resort to Dutch disease arguments tend to be more critical of state intervention *tout court* than they are interested in understanding the particular effects of the oil state on the outputs of the private sector. DIJOHN J., *From Windfall to Curse?*, op. cit.

² KARL T.L., *The Paradox of Plenty*, op. cit.

³ SHAFER D.M., *Winners and Losers*, op. cit.

⁴ KARL T.L., *The Paradox of Plenty*, op. cit., p. 55.

⁵ *Ibid.*

⁶ CORONIL F., *The Magical State*, op. cit.

⁷ LACLAU E. et C. MOUFFE, *Hegemony and socialist strategy: Towards a radical democratic politics*, London and New York, Verso, 2001.

publicly owned oil rent in their own direction¹. Coronil applied this model to a case study on the unsuccessful public sector's attempts to develop an automobile sector in Venezuela in the 1970's². He reasons that the "magical thinking" was behind this failure. The industry was never fully competitive, because nobody had planned that it should be so.

Dutch disease

Dutch disease phenomena can be summed up thusly. Countries with performant and important export sectors will have a balance of payment in surplus. This will have two effects. The first is an exchange rate problem. This surplus drives up the exchange rate. All other exports will automatically become more expensive to produce in the country, hence non-leading export sectors will be less efficient. Only highly productive and technological sectors could have a fighting chance in such economies. However, these do not exist in less developed countries; anyway, their margins would be shrunk. Developing economies tend to rely on low-technology export industries and agricultural exports. These underproductive sectors will automatically lose access to the international market. Therefore, non-leading sector industries will automatically be secluded to the national markets (smaller, less diversified and not as technological in less developed countries). This in turn makes them less productive than companies that must confront international competition. In such a context, international companies will produce cheaper than national companies and will be tempted to sell at higher margins in the national market. Therefore, national companies will have to compete with highly efficient companies from countries whose currencies are not artificially inflated. To save national companies, states have to block foreign companies from entering the national markets. This protects nationals even further from international competition. Making them even less efficient. This generates a vicious cycle of inefficiency. Furthermore, this process renders internal consumption dependent on the health of the export sector. This is so, because the overall output of companies is based on the exchange rate that in turn depends on the influx of petro dollars. Therefore, the Dutch disease generates an inefficient

¹ CORONIL F., *The Magical State*, op. cit., p. 251.

² CORONIL F. et J. SKURSKI, « Reproducing dependency: auto industry policy and petrodollar circulation in Venezuela », op. cit.

national industrial sector dependent on an unpredictable national market; and subservient to the state dollars attributions¹.

This leading sector preponderance has a second effect on wages. Extremely efficient export-industries will be able to pay high wages. First, this will attract most of the qualified workers to that sector, further pumping labor from other sectors, and reinforcing the predominance of the leading sector. Furthermore, through a signal effect this will drive wages aspirations up. And for a time the national market – exchanging in bolivars and focusing on the service industry – will be able to deliver high wages. Whenever oil prices drop, this will no longer be possible. Oil fluctuations produce cost-inefficient companies even in the national market. In this argument, because of state intervention, the Dutch disease effect produces a less efficient national economy out of a very efficient leading sector.

Within this general framework, Moises Naim (alongside the IESA), also posited that economic elites were unproductive rentiers. First in *The Venezuelan effect*², he argued that the country had been glued together with oil money. He latter developed this perspective and affirmed that because of this state sponsored oil distribution, the Venezuelan companies had been less performant and overall less “modern” in their management³. Even if he was pleased with the structural reforms of the 1990’s, he still believed Venezuelan businessmen were rentier, although they had shifted the object of their courtship. As he said, they went from “courting the state to courting the market”⁴.

6.1.2.2. *The Chavez effect: Oil’s state economic instability*

In 2004, in the midst of an astounding oil boom, Chávez had a profound effect on this school of thought. Although this is rarely mentioned, Chávez broke the fundamental theoretical link between state intervention and economic performance. Even if Chávez’ handling of the economy was arguably flawed – perhaps more so in his later years, from 2009 onwards – he never “protected” the national bourgeoisie as other oil-state leaders had done. As for the first generation of oil-state theorists, his mishandlings still gave a strong basis to argue against public intervention in the

¹ BAPTISTA A., *Teoría económica del capitalismo rentístico*, op. cit.

² NAÍM M. et R. PIÑANGO, *El caso Venezuela: una ilusión de armonía*, op. cit.

³ NAÍM M. et A. FRANCÉS, *Las Empresas venezolanas*, op. cit., p. 28-29.

⁴ NAÍM M. et A. FRANCÉS, « The Venezuelan Private Sector: From Courting the State to Courting the Market », op. cit.
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economy. However, the critique shifted slightly. Instead of producing “rentier elites”, the oil state begun creating an “unstable environment”¹.

There was one of two ways to adapt to this uncertainty. Agents could either buy themselves a semblance of stability, or develop ways to skillfully adapt to this changing environment. The former, were referred to as *corrupt*, the later were “successful [...] in taking advantage of opportunities for growth”². Only the apt few survived in such a difficult business environment. The renewed argument went so far in its marveling on the Venezuelan economic elites as to say that even multinational companies sent their Venezuelan corporate champions to other unstable economies³.

In this renewed – even if never explicit – critique of state intervention in Venezuela, several authors were breaking *sotto voce* with the previous premise. Oil state theorists⁴ argued that the naphthenic institutions produced underperforming economic elites. In the new view, oil states could still create rentier elites (the corrupt *bolibourgeois*). However, they could simultaneously produce an array of performant and skillful managers. More importantly, to the bulk of our argument, not only did oil state allow for effective CEO’s, they all had very different strategies. With a survey of over 66 companies⁵ Penfold *et al* were able to identify five different possible strategies in the country (ride the economic wave, have a commercial niche, pioneer investment, use a survival strategy and escape volatility)⁶. Venezuelan companies were internationalizing⁷, they were exporting⁸, and even long-lasting family-owned businesses were surviving⁹. All of this was happening in an extremely rarefied environment.

¹ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, op. cit.

² *Ibid.*, p. 38. Even if Penfold do not study the rise of a new group of economic elites.

³ *Ibid.*, p. 26. We do not even need to insist on the fact that this is an unsubstantiated claim. Although some Venezuelan managers might have been sent to other “third world markets”, there is no solid evidence sustaining this allegation. Because of the lack of data most of the literature on the Venezuelan economic elites still rests too much on unquestioned perceptions.

⁴ Amongst whom Antonio Francés who contributes to this book within the same theoretical framework.

⁵ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, op. cit., p. 34.

⁶ *Ibid.*, p. 40.

⁷ *Ibid.*, p. 233-244.

⁸ *Ibid.*, p. 219-232.

⁹ *Ibid.*, p. 177-198.

Because they never discussed this evident break with previous theorization, these authors do not provide an answer as to why they so radically differed from their elders. There are no clarifications as to why the same oil-driven institutions – in the midst of a very similar oil boom – that produced rentier elites in the late 1990's, theoretical apparatuses were now producing skillful managers.

The first possible hypothesis lies in the fact that during Chavez the basic functioning of the oil state was different¹. In this scenario, a new institutional framework would have had different outputs, thusly creating new kinds of economic elites. The second possibility is that through these empirical case studies, the new generation of Venezuelan scholars began studying, what had been left wanting in the more traditional oil state studies: an in-depth look of a variety of business cases².

When these new scholars focused on empirical strategies, the Venezuelan economic sector appeared in its complexity. By zooming in however, they lost the value of the previous model that could link institutional scaffoldings to economic outputs. A proof of this disconnect is perhaps best found in the extremely interesting article of *Penfold et al*³. After selecting 66 businesses and highlighting the most performant companies, they then proceeded to focusing on some companies that were not in their data set but that were “qualitatively known for their performance”⁴. This complete lack of relationship between their data and their “qualitative analysis” is perhaps due, as they argue, to the difficulties of finding data on Venezuelan companies. However, we tend to think that this reveals how difficult it is to link the macro-economic process of turbulence, to the micro-economic decision-making processes that tolerates much more diversity.

6.1.2.3. *A critique of the oil-state model*

The conclusions of this previous debate met with a burgeoning literature that began criticizing⁵, in the 2000's, the premises of oil state theory. Instead of stating that oil was determinant in the creation

¹ As Maryhen Jimenez rightly pointed out to us, a difference in the way democratic institutions are handled has consequences on the economic elites' decision-making process. We thank her for this comment.

² Perhaps of the most interesting articles in NAÍM M. et R. PIÑANGO, *El caso Venezuela: una ilusión de armonía*, *op. cit.* are those dealing specifically on the state-owned sector or on Venezuelan agriculture.

³ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*, p. 23-56.

⁴ *Ibid.*, p. 40.

⁵ DIJOHN J., *From Windfall to Curse?*, *op. cit.* ; FONTAINE G., « The effects of governance modes on the energy matrix of Andean countries », *op. cit.*

of connections between state and society, they argued that “oil” had different results on different countries. The type of endogenous institutional framework on which oil countries had solved their institutional history explained this multiplicity. In the Andean countries, for instance, the Bolivian and the Ecuadorian case differed because they had different energy governances on their energy matrixes¹. Fontaine’s raised the argument that the mining sector impact on the economy rested on the way in which each country was able to unite “the state, the economy and the society”. State/private sector interactions were extremely diverse, even when comparing similar Latin American countries. However, despite arguing for the need of linking state structure and “the economy”, Fontaine fails to explain how different types of institutional arrangements affect the strategies of the private sector.

Jon Di John, went even further in explaining that the Dutch disease argument did not account for the Venezuelan example. Focusing on the economic outputs for different sectors within the industry between the 1920’s and the 2000’s, he was able to show that after a period of heavy industrialization (1930-1970), the Venezuelan economy was not able to produce larger than medium size companies (when comparing to the international markets)². He argued that the Venezuelan problem was not one of state intervention, but rather one that every middle-income country has to face³. The country had not been able to produce more than one company (the oil Giant PDVSA – *petróleos de Venezuela Compañía Anónima*; Venezuela’s oil CA) with a fighting chance in international markets. This was not a singular characteristic of oil countries. This seemed to be the rule in developing countries. Oil had accelerated a path for development that was stopped because the economy could not create – technologically driven – companies that were able to sell in the international markets. Despite the strength of his argument, Di John does not seem to delve into the strategies of these medium size companies. Nor does he propose an alternative theorization.

This critique of the oil state’s outputs suggested that oil states’ institutions produced not one single type of elites but rather harbored a variety of economic ideal-types. Their view was clearly oriented at the macro level because oil state literature had macro-economic foundations. However, even

¹ FONTAINE G., « The effects of governance modes on the energy matrix of Andean countries », *op. cit.*

² DIJOHN J., *From Windfall to Curse?*, *op. cit.*

³ This line of arguing is in resonance with Ben Ross Schneider outlook on varieties of capitalism in Latin America SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

with a large perspective they spotted the multiplicity of economic actions taking place within the large institutional umbrella of oil-states. By focusing on case studies on the Venezuelan companies, the new generation of oil state observers described before, we argue, pinpointed that this diversity could also be found at the micro level. Joining these two literatures, there are bases to argue that the macro and the micro arguments fit together.

Reasoning in this line, our model argues for a complementarity between the new wave of studies and the critique of the oil state theory. From the latter we gather that the output of private sector companies in oil countries are driven by the particularities of the institutional structure. From the former we infer the multiplicity of possible strategies in oil countries. In chapter 2 we argued that the oil-state dual, uncoordinated institutional structure generated a set of mixed-incentives. In chapter 6 we argued that business elites' specialization was a long-term process that matured in the company that they finally commanded; to use this wine metaphor. The particular use of the institutional structure of the Venezuelan oil-state by Hugo Chávez, has produced a superposition of expansionary monetary policies (resulting in rampant inflation) and tight controls (amongst which price controls, a fixed and state imposed exchange rate, as well as a prohibition against firing personnel among others). We posit that the strategies of the business elites are embedded in the structure of within-company specialization described in chapter 6. This would prove a complementarity between the new studies on the Venezuelan oil state and the critique of the oil-state institutions. By doing so we will be able to show the existence of a link between oil-states' dual, uncoordinated state structures and the strategies of agents located in a social structure of specialization.

6.1.2.4. *Hypotheses*

To prove that business elites' strategies result from the imbricated effect of the dual, uncoordinated institutional structure of the Venezuelan oil-state, and the structure of within-company specialization, we need to account for two empirical phenomena.

First we need to show that the *fomento* and the *financial* structure of the oil state' incentives order the strategies of the business elites. We coded strategies as clusters of binary vectors using the

hclust program on R¹. We were then able to show that the resulting clusters fed out of the incentives of, vertical and horizontal economic policies generated respectively by the *fomento* branch state and its *financial* arm.

Secondly, we showed that these clusters of strategies matched the poles of specialization described in chapter 5. We saw that the plane 1-2 of the MCA was a good representation of these poles. To conclude on this correspondence we located clusters of strategies on the plane 1-2 to evaluated they fitted the spatial distribution calculated above. We validated that the business elites engaged in strategies of reproduction by showing that state incentives were mediated by the social structure of specialization before producing economic strategies.

6.1.3. Coding strategies as clusters of binary vectors.

6.1.3.1. *Strategies and social structure.*

To code the strategies of the economic elites under study we must first briefly discuss the added-value of this chapter to the literature on economic strategies and social structures². We do not wish to comment in detail this considerable body of literature. Independently of the method (Networkd analysis or MCA), there are three ways of accounting for the strategies of agents located in social structures.

The first, and more basic is an incumbent/challenger model³. In these models, agents are believed to be in a position of – relative – power or inferiority and their “strategy” will depend on this. The problem with this view is that it doesn’t allow a more refined definition of social interactions. In this frame, one must find the “incumbent” and describe how he either maintains or loses his power to the either successful or unsuccessful strategies of his underlings.

¹ For clarity purposes, we referred to the clusters in chapter 4 as clusters, in chapter 5 as classes and in chapter 6 as groups.

² USEEM M., *The Inner Circle*, *op. cit.* ; MIZRUCHI M.S., *The Structure of Corporate Political Action*, *op. cit.* ; BOURDIEU P., *The Social Structures of the Economy*, *op. cit.* ; FLIGSTEIN N. et D. MCADAM, « Toward a general theory of strategic action fields* », *op. cit.*

³ FLIGSTEIN N. et D. MCADAM, « Toward a general theory of strategic action fields* », *op. cit.*

A second array of techniques fixes an agent's positions on the structure to explain his or her strategy. These techniques rest on the concept of structural homology (see chapter 3). However, to prove this structural homology, authors tend to rely on limited proxies. For instance in his book, Mizruchi ¹ shows that there is a relationship between the position of an agent inside the network of corporate directorates in the US, and his or her companies' political actions. To code for political action, however, he uses very basic data on party financing during elections. Similarly, using MCA, Bourdieu in his article on the field of editors defines strategies with simple variables such as identifying "published Nobel prize winners"².

We argue that there is a third way of reasoning. In this chapter, we define the within-firm strategy within as a group of superimposed economic actions. This third answer proposes a technique to prove structural homology using aggregated data. This method will allow us to escape narrow definitions of strategy, such as "accessing the state", or "exporting". We prefer to escape these explanations, because as we assume from the literature, there are varied types of economic strategies in oil countries. We were able to build these variables, interestingly, because of our small N sample. The lengthy interviews allowed us to delve into biographical as well as strategical interviews for an hour; and to code for both careers (on which we built a social space) and strategies.

Techniques to project strategies onto social structures.

In MCA there are several ways to describe data to account for strategy of agents in social spaces. The first is to locate passive variables to explain the diversities of strategies an agent can engage in. These, however are usually coded as extremely limited outputs (the number of employees, etc). Secondly, another subset of tests uses hierarchical cluster analysis. Authors usually build groups and define these clusters using the active or passive variables of the multiple correspondence analysis. These techniques however, only link agents, or clusters of agents, to single outputs (size of the company, university, commercial partners, etc).

¹ MIZRUCHI M.S., *The Structure of Corporate Political Action*, op. cit.

² BOURDIEU P., « Une révolution conservatrice dans l'édition », *Actes de la recherche en sciences sociales*, 1999, vol. 126, n° 1, p. 3-28.

Authors relying on Network analysis can choose for a vast array of techniques to partition clusters of agents. These range from basic centrality measures¹, to Block models, Quaps or ERGM's². However, no matter how complex, these techniques usually rely on very limited data to identify strategies. This we argue, can be improved. This dearth is less provoked by technical difficulties than because of a lack of data recollection allowing these types of analyses.

6.1.3.2. *Selecting the dataset: the variety of economic strategies.*

We had to resort to this type of aggregated analysis because of a specificity of our research questionnaire³. We were interested in understanding how business elites faced the different challenges presented by the Venezuelan economy. Since these challenges were diverse, the answers accounted for a variety of reactive actions. The first and more important of these constraints was the shortage of subsidized dollars and the Kafkaesque process to access them. That was, by no means, the sole difficulty a Venezuelan businessman had to resolve. The economy was living under a rampant inflation (60% in 2014, 200% in 2015), massive shortages – of produced good and of raw materials –, high rate of murders, an impossibility of firing workers, extremely confrontational unions, etc.

Our raw data contained a plethora of economic actions pertaining to the concrete actions that economic elites had figured out to face the multiplicity of problems they were asked to solve. This is consistent with what CEOs actually do. In his *investor capitalism*⁴, Michael Useem argues that upper management in companies spend their time “solving problems”. The result of asking how CEOs respond to the difficulties of the Venezuelan economy rendered a very precise picture of their solutions to daily problems. Therefore, this method is not only heuristic for the Venezuelan example, this could be easily implemented for other case studies. And particularly interesting for comparative analyses.

¹ LAZEGA E., *Réseaux sociaux et structures relationnelles: «Que sais-je?»* n° 3399, Paris, Presses universitaires de France, 2014.

² SNIJDERS T.A., « Statistical models for social networks », *Annual Review of Sociology*, 2011, vol. 37, p. 131-153.

³ For mor detail see the methodological chapter 2

⁴ USEEM M., *Investor capitalism*, *op. cit.*

Before engaging in the particular set we will use for this chapter, it is important to remember (as we did in chapter 3, 4 and 5) that we accessed interviews using a snowballing process of selection. This helped us handpicking a variety of business types. To make sense of the plurality of strategies, we selected the 22 businessmen (out of our 60 interviews) that gave us the most complete answers. Four of them were not selected for the Multiple Component Analysis in chapter 6: we did not have enough biographical data on them. We excluded three types of agents from this analysis of the strategies. First, we chose not to retain agents that had not have major economic activity in the last decade (mostly 1990 high-ranking CEOs). We were interested in agents that headed (as either presidents or high ranking executives) businesses during the Chavez years. Secondly, we excluded agents, whose interviews mostly focused on the strategies of the business associations¹. Finally, we chose not to integrate the four government officials in our sample. This was so because they all had very similar strategies and careers (they sought to regulate the economy in a very restrictive fashion²). Albeit they were different from one another, their actions were extremely far from that of the private sector executives. Since we only had four government officials, we preferred to account for their positions by taking into account the oil-state instability effect. To use the political science jargon, we chose to externalize the effect of their strategies on the social space. To reason in terms of the triangular space found in chapter 6, we will not include the “state pole” to our quantitative analysis. However, we will go into some detail on the policies that have been conducted.

Figure 6.5, shows that the agents from whom we received the best answers are located on the positive side of the first axis of the multiple correspondence analysis on the pane 1-2. This means that they range anywhere between what we referred to as the “purely private pole” and the “corporate pole”. In chapter 6 we argued that the private pole flocked together agents that rapidly went to the presidency of their medium-to-large (in terms of number of employees) corporations. The corporate pole grouped agents in either multinationals companies or Venezuelan corporations

¹ We referred to business associations in chapter 3.

² For more detail on non-included information, see the methodological appendix in chapter 2.

that climbed the executive's ladder. Therefore, in this chapter we will scrutinize the strategy of agents in the private sector. This is supposedly the most rentier sector in the literature on oil states¹.

6.1.3.3. *Strategies as complex superposition of economic actions*

6.1.3.3.1. Coding the variables

To project aggregated data on an MCA, we coded strategies as binary vectors along 33 variables². We built these strategies using an aggregative process. Each time an agent mentioned a new category we inscribed it in a spreadsheet. We finally obtained a document in which each agent was represented by a binary line of zeros and ones; corresponding to the coded strategies. Each time that an agent mentioned one of these variables during an interview we noted 1³.

Table 6.1 shows the absolute frequency of the variables according to the four categories on which we focused: a) relationship with government b) Commercial strategy c) human resources strategy c) chain of distribution. These are semantic regroupings. They help make sense of the variety of data we gathered. Table 6.1 shows, for instance, that 12 agents closely follow the government agenda and that 16 buy foreign raw materials. This table clarifies our operating (and grounded) definition of strategy: it is a superposition of overlapping rationalized economic actions.

The first interest of this method lies in the fact that we can assess the proximity between agents based on their economic actions. And do not need to single out one or two distinctive elements. Therefore, the only fact that he or she contacts the state, or is in an economic sector will not singularize him before we account for distances.

¹ CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

² This might be problematic as we have more variables than agents. This, however can be easily fixed with more information. These results are preliminary in nature. We only want to show that this technique is possible and highly effective.

³ See methodological annex in chapter 2.

	Variables	n	Explanation
Government	Agenda	12	Pegs strategy to government policy
	High Government	8	Contacts high ranking officers
	Low Government	18	Contacts low ranking officers
	Subsidized \$	11	Accesses subsidized dollars (cadivi)
	Institutional hunt for \$	9	Institutional hunt for cadivi
	No subsidized \$	7	Excluded from cadivi
Commercial strategy	Margins on all products	11	Makes margins on most products
	Internationalization	13	Has economic activities in other countries
	Importer	13	Imports
	Negative Margins	10	Forced to sell products with negative margins
	Free price setting	10	Prices are not set by government*
	Regulated product	11	Sells regulated products**
	Diversified supply	19	Sells multiple products
	Prices future	7	Sets prices based on the margin of reposition
	Target	5	Changed target during Hugo Chávez
Human resources	Workers formation	7	Invests in workers formation
	fringe benefits	9	Gives important fringe benefits
	Importance of HR	10	HR is extremely time consuming
	High wages	5	Insist on paying high wages
	Aggressive Unions	8	Faces aggressive unions
	Hard stance against unions	4	Hard response to unions
	Soft stance against unions	7	Soft way of dealing with unions
Chain of distribution	Buys to a distributor	7	Buys to a distributor
	Distributor	9	Distributor
	Changes distributor	8	Major changes in chain of distribution
	Public contracts	4	Focuses on state contracts
	Has short term strategy	10	Says that is driven by short term
	Investment is important	14	Importance of investment
	Buys national raw materials	11	Buys national raw materials
	Buys Foreign raw materials	16	Buys Foreign raw materials
	Produces in Venezuela	10	Produces in Venezuela
	Sells technology	10	Sells technology
	Up to date	11	Technology as international markets

*In 2015 the government fixed a cap of 30% on benefits.

**Government controls the prices of massive consumption goods

Table 6.1 Frequency of each variable in binary vector

6.1.3.3.2. Aggregating groups of strategies

The second interest of this method rests on the possibility of aggregating data. Each line of 1 and 0 can be read as a binary vector. Figure 6.1 shows the dendrogram of a hierarchical cluster analysis using the ward method with the asymmetric binary function of the hclust package on R.

The asymmetric binary function considers the vectors as binary bits. “Non-zero elements are ‘on’ and zero elements are ‘off’”. The distance [in the dendrogram] is the proportion of bits which only one is on amongst those in which at least one is on”¹. The ward method builds groups based on the longest distance between vectors. This asymmetric binary function, only counts agents for which we do have information. We chose this technique because some agents might have forgotten to mention some elements of their strategies. We did not wish to single out their omissions.

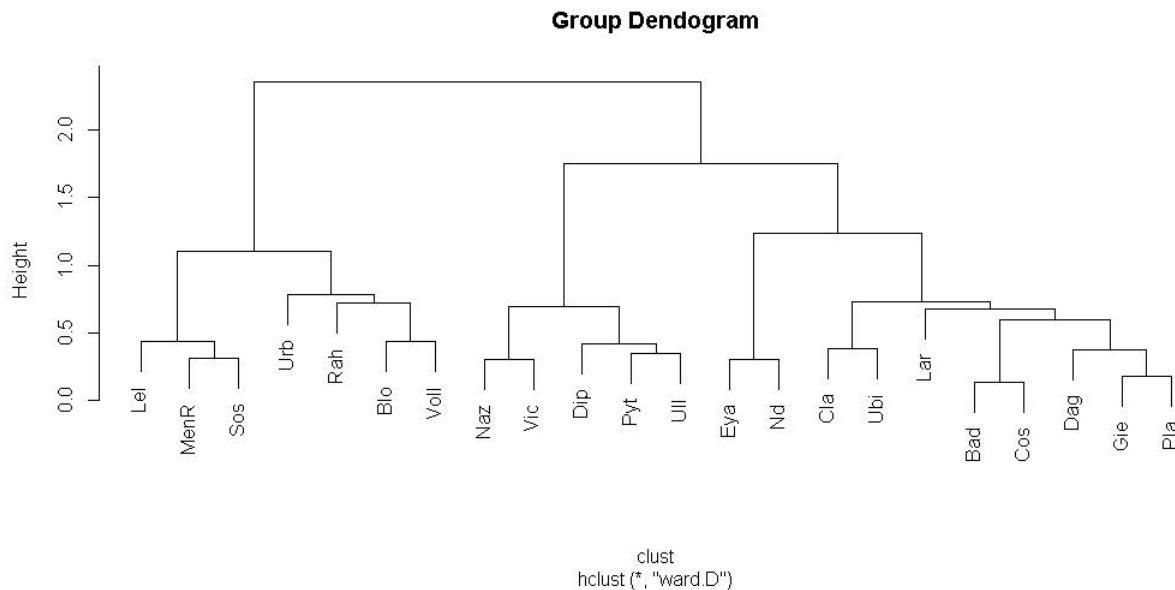


Figure 6.1 Dendrogram of hierarchical cluster analysis for binary cluster

¹ Hclust program.

Economic sectors and strategies

This dendrogram in figure 6.1 is of particular importance because it groups, agents that we intuitively knew to have extremely similar strategies, but we were not able to pinpoint this. What is more interesting is that agents in the same economic sector appear to have congruent strategies. By understanding that multiple strategies exist and that they correspond to multiple sectors, we are able to infer that oil states do not limit the development of their non-leading-sector of export sectors as much as the literature on oil states would indicate. However, some agents aggregate because of factors other than their sector. This dendrogram unveils the complexity of economic strategies in oil-countries.

We will only take some examples to show the power of this technique. With larger data sets, we could describe a larger number of detailed groups. From left to right Men R and Sos both work in the construction sector. LeI, provided us with the contact of Sos. They both sat at the board of directors of the same charity. Therefore their economic strategy is somewhat related to the charity that they chose to finance (and that does not drive the binary cluster calculation).

Continuing on the right, Urb and Rah were the two agents in our data sets with openly non-legal economic strategies. One sold dollars in the black market, the other imported over-priced products with subsidized dollars.

On the right Pyt and Ull are state contractors in technology-driven sectors. Eya and Nd are the two bankers in our data set; Bad and Cos are both country representatives in agribusiness multinationals. This dendrogram is in line with the argument of Di John¹. Multiple economic sectors exist in Venezuela. We contend they react differently to the effects of the oil state economic intervention.

¹ DIJOHN J., *From Windfall to Curse?*, *op. cit.*

6.1.3.3.3. Describing the clusters

In line with our previous cluster analyses we used this dendrogram to unearth flocks of strategies. Because of our small N sample, we selected 3 groups. Thusly we can have a more aggregated view on the strategies of the economic elites. This is the equivalent to segment the dendrogram in Figure 7.1 to select three bunches.

Before characterizing these groups' particularities, we will first describe the state-crafted economic crisis in which these strategies were developed (the externalized effect of the state pole¹). Afterward we will be able to sum up these groups by referring to the most prevalent strategies in each cluster. We will add a series of in-depth descriptions of strategies to this analysis. Thirdly, we will project these strategies on the plane 1-2 of the MC. The spatial distribution of agents on the plane 1-2 summarizes the poles of oppositions in the economic structure. Thusly we will be able to prove our hypothesis, that there is a structural homology between the agents' careers, their specialization and their strategies. Having explained this, we will be able to propose a model for economic decision making in oil countries, which argues that strategies result from state incentives mediated by the social structure of specialization.

¹ The aggregated effect of public economic strategies.

6.2. Hugo Chávez an the private sector

From 2008 onward, Hugo Chávez transformed the nature of his relationship with the private sector. Among many other actions, he launched a campaign of land nationalizations¹, bought his way into the banking sector during a national financial crisis² (the state owned half of the financial assets in the country by 2015), bought the formerly state-owned telephone company (acquired by Verizon in the 1990's) CANTV ³ and instigated an unsuccessful campaign to nationalize the biggest agribusiness in the country in 2009⁴. He also wrote a new law on the banking sector⁵ (transforming state/banking relationships existing since the 1940's); forbade the “black market” dollar exchange mechanism in 2009⁶ and created a law fixing prices for massive consumption goods in 2001⁷. Furthermore, he beheaded –metaphorically – the group of so called *bolibourgeois*⁸. We will now describe the bridled economic context created by the state actions in which companies developed the strategies that we coded for this chapter.

6.2.1. A state-crafted economic crisis.

To interpret the strategies of the economic elites during these years we have to first describe the most important constraints weighing on the economic elites in the end of the 2000's and in the beginning of the 2010's. These were produced by a particular use of the oil state institutions during the Chávez regime. We can sum them up in four different categories (see table 6.1).

6.2.1.1. *Foreign currency exchange rate control*

The exchange control – in place since 2002 – created the first type of constraint economic elites had to face. In the midst of a crippling oil strike and massive flights of capital, Chávez decided to

¹ Interview Cha

² Interview Nd

³ Interview Naz

⁴ Archival research at empresas polar and interviews with economic journalists.

⁵ Interview Nd and interview Eyal

⁶ Interview Mal

⁷ Interview Archimboldi.

⁸ As we saw in chapter 5, The bolibourgeois were a group of medium to small level businessmen that expanded their wealth considerably during the Chávez years. For the most part, they invested their benefits in the banking sector. Chávez took over most of their banks during the 2009 financial crisis. Interview Baudolinoq

impose a short-term control on foreign currency in the country¹. It was at first regulated by CADIVI (Comisión de Administración de Divisas – Commission for the administration of foreign currencies) and then by the Cencoex (Centro de Comercio exterior – Center for foreign trade) from 2013 onward. This installed a *de facto* multiple exchange rate. On one hand, there were the legal rates, on the other the black market rate.

The process to accessing these subsidized – appreciated – dollars needed some bureaucratic skills. It begun with companies filling a solicitation for importing. The state then delivered an AAD (Autorización de Adjudicación de Divisas – Authorization for accessing foreign currency). Finally once the shipping was received in Venezuelan ports, the company filed for an ALD (Autorización de Liquidación de Divisas – Authorization for payment in foreign currency). This ALD would signal the Central Bank to send the money to the international exporter. Companies soon begun adapting their organization to capture those dollars (what we referred to as an institutional hunt for dollars see table 6.1).

However, even if some were acting in the realm of legality, others started developing a surprising dexterity in circumventing controls (see p.330-332 for an example). To counter this urge, government raised barriers even higher. By the year 2014, the government asked for 27 permits by various ministries to deliver AADs; amongst which a declaration that the product was not made in the country (CNP – certificado de no producción nacional)² and a certificate that the company did not have open-court cases in labor tribunals (solvenca laboral). These heightened controls extended the process of obtaining an AAD and the effective payment of the ALD by the central bank³. At the heart of this system lied a structural potential problem of liquidity for the public sector.

¹ A lot has been written on this particular matter; however, we would like to add that this exchange control was not a necessity within the Chávez government. A well-documented source told us that Chávez was exploring several policies and finally chose the control by recommendations from some of his economic aids.

² By asking a CNP, the government was indirectly creating the facto cartels and oligopolies in Venezuela.

³ They could be separated by between 6 and 9 months.

Companies adapted to this new conditions by making a habit of asking more than what they actually needed. The rationale behind this was that the government would – as it usually did – slash the demands in a proportion they themselves determined¹.

This shaky system was made worse by the fact that in 2009, Hugo Chávez imprisoned presidents of companies trading in the black market; that became illegal from that point on. As one source of supply was slashed, pressures for devaluation became ever more increasing and the black market rate began distancing itself from the official rate. However, when Chávez was alive the black market was never more than 4 times higher than the official rate.

During the six months preceding Chávez' death, the government stopped issuing ALD's. Dollar attributions were extremely politically motivated and worked because Chávez excerpted a veto on large contracts. This safety valve divided the war chest seemingly evenly. In coma, Chávez was not able to control this system. Henceforth, the stream of attributed dollars was reduced. This put the liquidity crisis in motion. The private sector started importing by raising debt from foreign distributors. When Maduro took office in 2013, the private sector owed around 10\$ billion² to foreign suppliers and had most of its distribution lines frozen. Therefore, an exchange rate problem soon translated into a liquidity crunch resulting in shortages in the Venezuelan economy.

Maduro's government did not recognize the private sector debt which would have forced it to devalue. Instead of devaluing the currency, he imagined a system of multiple legal exchange rates. Figure 6.2 shows the evolution of the different exchange rates in the country during the Maduro government. His ministry of finance Jorge Giordani created in September 2013, an auction to buy currencies (SICAD 1 – Sistema Complementario de Adquisición de divisas). It was first thought of as a secret market for bidding, but then it made its results public. As investments in the oil sector begun to fall, the government created SICAD 2 in march, 2014 (a targeted devaluation for the oil sector). Finally, they created the Simadi system in February 2014³. When most of our

¹ For anonymity reasons we will group these quotations together. Interview Bad, Dag, Pla.

² Interview Rog, interview Gie, Interview Cos, Interview Bad.

³ Under the direction of a New mnister for economic matter Pérez Abad, Maduro maturated this dual system but with a new name in 2015. The fix rate was called the Dipro (10bs/\$) and the fluctuating rate the Dicom (beginning at 2000 bs/\$).

interview took place, agents could mostly access foreign currency through the sicad auction¹. This was targeted to specific sectors and it was not a secure source of income.

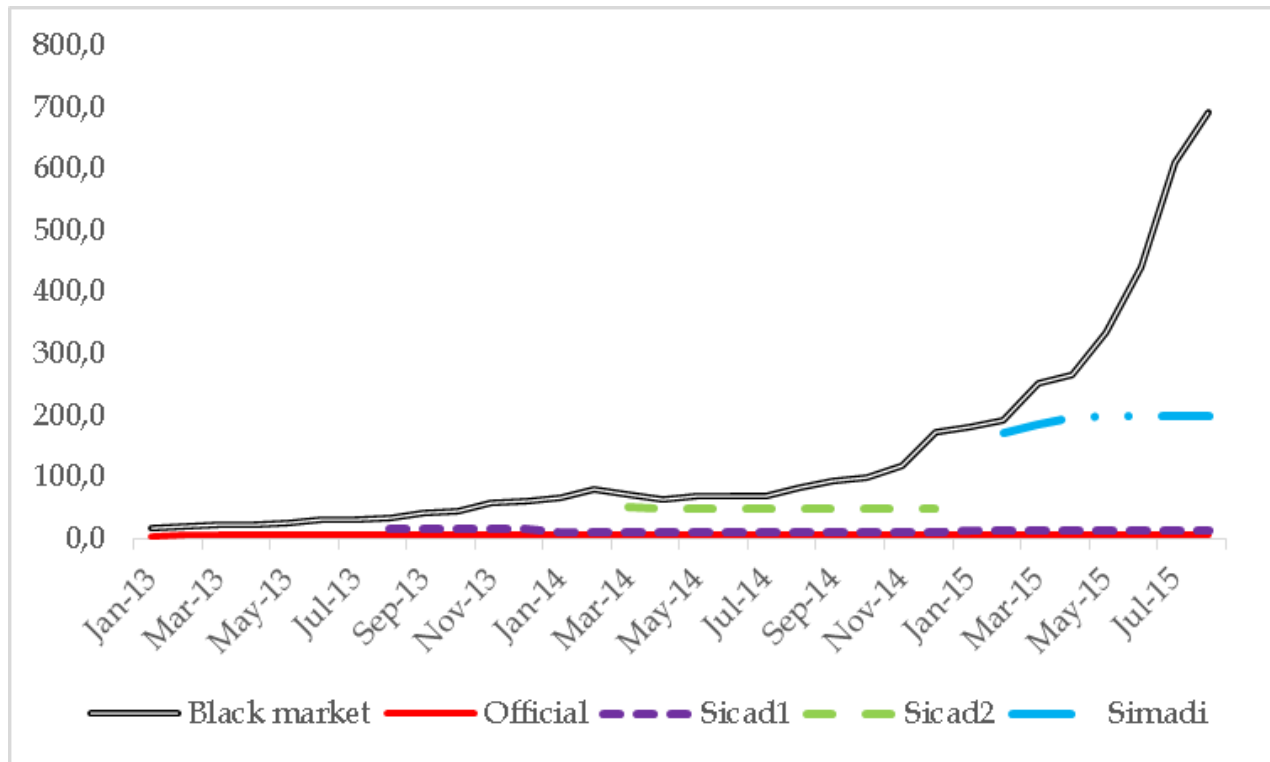


Figure 6.2 Multiple exchange rates in Venezuela 2013-2015

Because of government inability to unify the exchange rate (devaluating) it found itself with a gap between the legal and the black market dollar of about a 100 times by 2015. This created important incentives for arbitrage. Agents that accessed products at a 6.30 exchange rate could immediately multiply their legally bounded 30% margin by a hundred times. On top of the shortages, this fixed multiple exchange rate was creating powerful – and sometimes illegal – vested interests.

¹ Although they were accepted in the auction, there was an important delay between the attribution and the actual pay to the international distributors.

The surprising confessions of an importer.

We found it extremely difficult to interview agents that dealt openly in illegal activities. Incredibly, we had a chance to find one during a completely unrelated interview. We met him through a product presentation hosted by a pro government business union (disappeared since then).

We asked to meet him to discuss about the product that we knew he was selling directly to the state. Image 6.1 shows a slide of the PowerPoint presentation that he sent a government civil servant (she was a junior officer in the agriculture ministry). In this template, he clearly wrote “made in socialism” in a red heart and “made in the Bolivarian republic of Venezuela”. Not only did he give us this presentation in a red folder, he also accepted being taped. The nature of his product is irrelevant for the rest of this presentation; we will retell it in the order in which we received the information.

Five minutes into a much-rehearsed presentation of what his product did, and how it would solve “most of the problems of [Venezuela]”¹, he received a phone call from a man who was unknown to us #1². He yelled to the phone – his business partner was on the other side of the line – saying that they should send him “a receipt”. His accountant was talking with the tax authorities (SENIAT – superintendencia nacional de asuntos tributaries). The SENIAT did not know where these funds he had just received came from. He didn’t either. Then he said to the person on the phone, “well you’re not in charge?”, then “Who is in charge? Tell him to call me immediately”. He turned back to us and said he had received a transfer for about 21 billion bolivars (21x10⁹Bs). Chavez appreciated the currency by a thousand times in 2007, therefore Urb, could very well have been thinking in “old bolivars”; which seems unlikely in this context. This is so because 21 million bolivars at the legal exchange would have been between 3 million dollars and 300,000 dollars at the black market rate of that time. Therefore he received somewhere between 3 and 300 million dollars at the black market exchange rate during this transaction. We believe that a number around the 3 million dollar mark is the more plausible figure.

¹ Interview Urb

² As you will see, we prefer to be extremely loose on details.

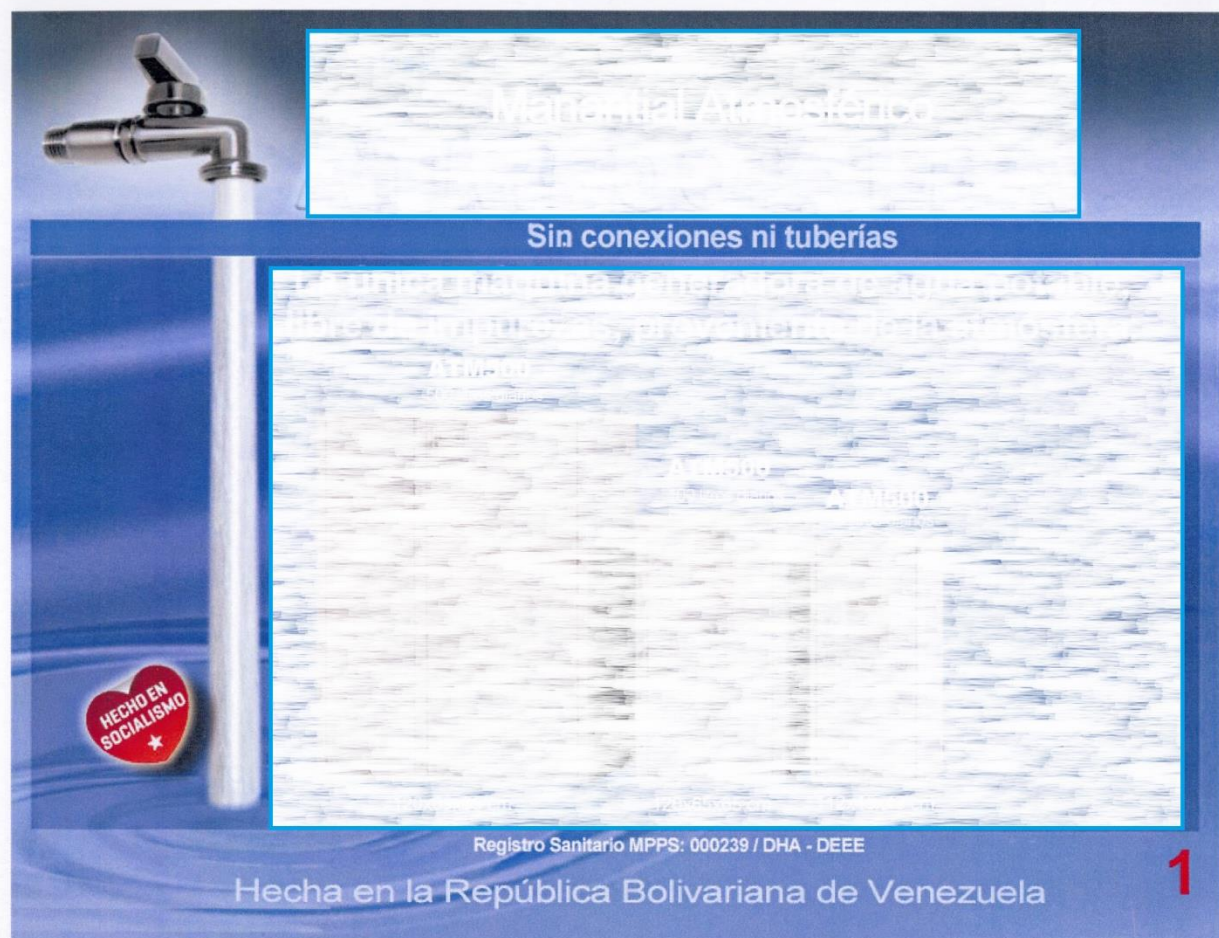


Figure 6.3 Power point template of product sold to the state

His accountant and man #1 interrupted him several times during the interview. They were extremely nervous because of an intervention by the authorities. Just before he received a call from man #2 (the person in charge) the owner of the company told us that he previously owned a distribution company that imported medical products. He was very open with us about the fact that he depended on access to Cadivi to make his company work. Once the stream of dollars shrank, he had to fire his almost 200 employees.

Forty minutes into the conversation, he received a call from man #2. He was pleased to hear from him, and had been wanting to meet him for a long time. He then proceeded to tell man #2 that he urgently needed a purchase order. Thusly he could justify this was “the money from a client that was paying for something in advance”. He then said that in his previous importing businesses at

one point he received a hundred checks, but one check did not come from his client. It belonged to “someone weird”. This cost him some sleepless nights at the police station.

He then admonished man #2 for not giving his real name from the beginning (and giving several nicknames, instead). He then proceeded to tell him “other operations were possible”. They could be doing daily operations of about 100.000\$ by importing any “medical product”. They could import a product that “lasted” and that could be sold at a high price: “gauze should do the trick”. He would make a margin by selling this product not at 75 bs/\$ but a 60 bs/\$. This would mean that out of every day trading of 100,000\$ he would put 15.000 \$ in his pocket. He said he did not want to talk about this on the phone, but that he could introduce him to his contacts at customs. He had been “doing this for ten years”. He further added that leaving your money in a bank was expensive. Man #2 tried to negotiate his margin, but the owner of the company told man #2 that he knew that the product he was going to sell for 60\$ he could buy at 5\$. If man #2 had already put the owner of the company in charge, “they” would have by now made a margin of 20%.

This interview is interesting for several motives. First, it is a clear example of the existence of businessmen that do deals with the government, access subsidized dollars and work with shady and almost criminal business partners. We looked for his company’s name on the list provided by Cadivi (removed since then from the website), and his distribution company had received around 20 million dollars in subsidized money between 2002 and 2012 (out of 10,000 companies, he was in the top 15%). He is thusly a small player in this economic world. However, he has been skillful at it: he had had a 10 year run. We can clearly declare, therefore, the government has sponsored at least some shady companies.

Secondly, and most importantly, his company is the poster for a rentier, unproductive endeavor. However, after he lost his – logically – frail support within the government, he never was able to recuperate and was forced to close down his company. What TL Karl suggests in the paradox of plenty, is that the rentier strategy should be an easy and secure one. However as we see from this example, it requires a fairly complex know-how and is not a very safe bet. Agents in this position end up with lots of money, but relatively no position in the economic world. This calls for a

reconsideration on the rentier strategy. Against all odds, this is not an easy path, nor is it a secure one.

6.2.1.2. *Inflation and monetary expansion.*

The second problem that managers face, deals with a connected issue and relates to the nature of the national market. We coded these constraints in table 6.1 under the categories chain of distribution and commercial strategies. Businessmen had to face a rampant inflation created by the fixed exchange rate. At the beginning of the oil boom (2004), Chavez financed his redistributive policies with the oil surplus. The government used its dollars to import food and medicine through the social missions¹. He levered this dollar influx (in the form of subsidized goods), with direct financing in Bolívares (scholarships programs). The basis of this problem was that the government insisted in maintaining an over -appreciated exchange rate. Therefore at some point the demand in bolívares began to be higher than the level of imports that could be sustained during an oil boom.

When oil prices fell in 2009, the government first reaction was to increase the dollars used for exports by taking money out of the international reserves. They sustained the internal demand by beginning an expansionary monetary policy. To escape the public debt circuit (that must pass a vote through the national assembly), the government asked the central bank to buy bonds from PDVSA (national oil company).

To prevent inflationary pressures, the government issued the first of a series of laws controlling prices (the last in the framework of our fieldwork was a 30% maximum margin of return). This in turn provoked massive shortages². These restrictive laws also applied to banks. They also have fixed rates. These lending rates have negative real returns; this is why the default rate in Venezuela is extremely low³. In addition to fixing rates, Maduro imposed a series of policies that forced companies to sell their physical stocks at rebate prices. The most mediatized one ordered the

¹ D'ELIA Y. et L.F. CABEZAS, *Las misiones sociales en Venezuela*, op. cit.

² Shortages begun in 2009 with the first price controls and was made worse by the non-recognition of the debt by the government.

³ Interview Eyal, EMEN, « Banca reporta mínima morosidad en pagos de préstamos », *El Mundo Economía y negocios*, 17/05/2015 p. <http://www.elmundo.com.ve/noticias/economia/banca/banca-reporta-minima-morosidad-en-pagos-de-prestam.aspx>

electric appliances stores to sell at discount prices. This policy helped Maduro gain some points in polls and win the 2013 local election.

Finally, in the midst of an extremely difficult campaign for the reelection of Hugo Chávez and the election of Maduro (2012-2013) the central bank launched a massive expansionary policy. This in turn produced a rampant inflation (of about 70% in 2014). Figure 6.3 shows the inflation index and the liquidity index (2009=100). The blue area in the background is the yearly inflation rate. We see that from 2012 onward, inflation began to rise (It was multiplied by 6 in 2 years). This graph shows that inflation is pegged to the expansionary policies led by the government. The macroeconomic situation was so dire that the government refused to publish the figures for inflation and GDP during 2015.

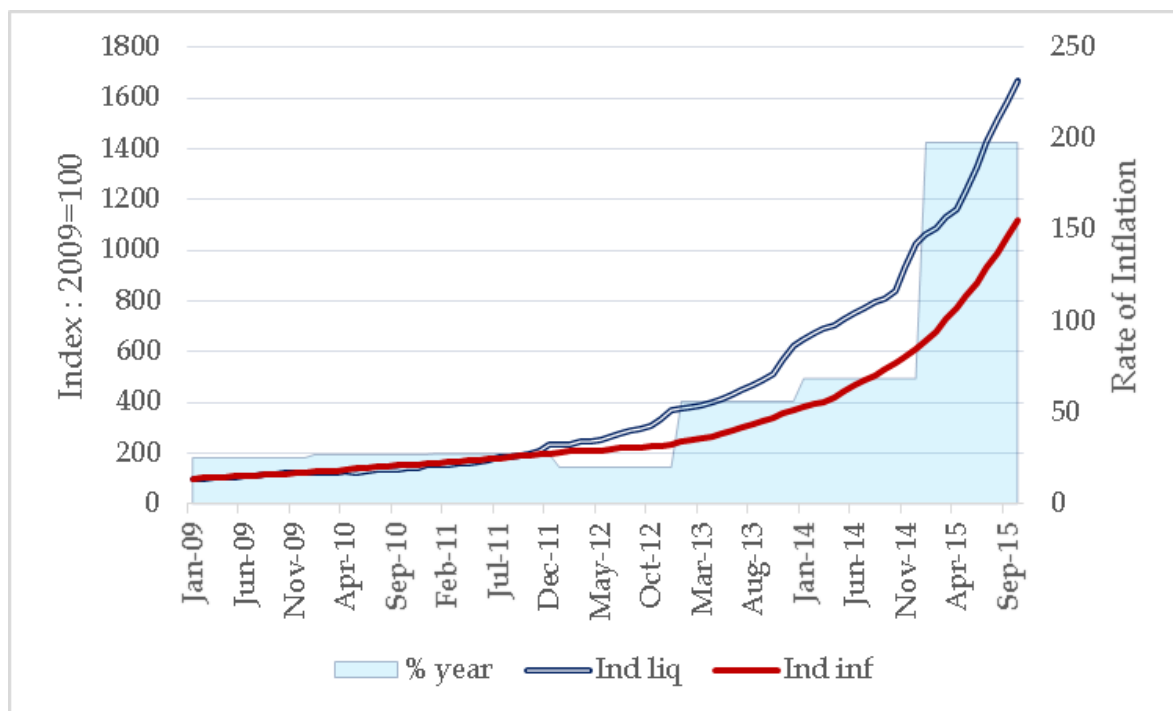


Figure 6.4 Rate of inflation (blue shade), Liquidity index and Prices index (base, 2009=100), source BCV*

The government hadn't released information on inflation in December 2015, we took the assumed rate of 198% inflation for 2015 and assumed a stationary inflation rate month by month of 6.4% to attain that target.

Therefore, the government transformed this exchange rate problem into an inflationary issue. Both these problems contributed to massive shortages in the short term and massive economic losses in

the medium range. In 2015 the IMF expected that Venezuela would drop 10 percentage points of GDP; private imports fell 80% between 2014 and 2015 according to business associations¹; as a more concrete instance, in September 2015, Venezuelan produced only 714 cars (60% drop from 2014)².

6.2.1.3. *Human resources difficulties*

The third problem that companies have to face is connected with the dire economic situation generated by the exchange rate problem and the inflation crisis we have just described. However, it expands beyond that scope. This problem, human resources, is perhaps the only category of constraints that is not linked to the oil state actions per se, but it has a connection with the socialist discourse of the chavista government in power. There are two types of problems linked to human resources. Let us consider them chronologically.

First, the government issued a decree in 2002, that has been resigned ever since (until 2015), that states that no worker can be fired without a justification signed by the ministry of labor³. This justification has to be approved by a competent jurisdiction before receiving a stamp from the ministry. However, tribunals have orders not to receive any work-related complaints⁴. Companies have devised different ways of dealing with uncooperative workers. They either enforce peer-pressure campaigns, or pay them to leave.

In this line of human resources problems, some companies have to face more aggressive unions than others. This last point might be ideological; patrons could be anti-unions. However, it was consistently cited has an issue in our interviews. And the literature clearly posits that the government had difficulties with creating his own unions⁵. The union movement was still

¹ EMEN, « Consecomercio: Importaciones privadas cayeron 80% », *El Mundo Economía y negocios*, 23/04/2015 p. <http://www.elmundo.com.ve/noticias/economia/gremios/consecomercio--importaciones-privadas-cayeron-80-.aspx>

² LUGO B.P., « Producción de vehículos en el último año cae 60% », *El Mundo Economía y negocios*, 30/10/2015 p. <http://www.elmundo.com.ve/noticias/negocios/automotriz/produccion-de-vehiculos-en-el-ultimo-ano-cae-60-.aspx>

³ UNIVERSAL E., « En vigencia inamovilidad laboral para 2015 », *El Universal*, 02/01/2015 p. <http://www.eluniversal.com/economia/150102/en-vigencia-inamovilidad-laboral-para-2015>

⁴ Interview Dag, Interview Lel, Interview Gie, Interview Blo, etc

⁵ ALVAREZ J.I. et C. IRANZO, *El movimiento sindical en Venezuela: su historia, su hacer y sus relaciones*, Temas de Formación sociopolítica., Caracas, Fundación Centro Gumilla/Publicaciones Ucab, 2009.

dominated by Social Democrat ideology associated with the Acción Democrática political party, democratic action, AD) structures. In some sectors (foremost the construction sector¹) some violent unions were allowed to appear. For instance both Sos and Men R (working in the construction sector), reported having to deal with armed men that claimed to be from “the union”. These interviewees reported that they held their ground and both began to be respected.

The unions’ relationships with their employers under the Bolivarian revolution

In some instances, the relationship between workers and some pro-governmental unions can be confrontational. Let us use two instances to exemplify what this means. The owner of a chain of business restaurants told us the first one of these instances. He found himself in an extremely confrontational situation in his biggest restaurant. According to him, the unionists began functioning as informants for the government. The conflict escalated and he took the decision of closing down that restaurant to “show them a lesson”. This cost him a fortune, and brought him some public relations problems. However, this allowed him to buy a semblance of peace in the workplace. He also reported spending tremendously in a national network of lawyers to fight against thefts.

The second is an example of a more soft answer vis-à-vis unions. The country representative of a multinational agribusiness in Venezuela told us that he also had confrontational unions. At various points, his plants had been covered in flyers written in English by unionists coming from the US but paid by the government. He usually had to face programmed production slow-downs and complicated workers (that he could not fire). His stance however was to establish a regular dialogue with the head of the “good unions”. Thusly he legitimizes one group over the other by proving that concessions can be granted through that mechanism.

¹ http://www.el-nacional.com/sucesos/sindicalistas-asesinados-primer-semester_0_458354222.html. Ibid. ; LUCENA H., « Reestructuración productiva en Venezuela: balance laboral », J. CESAR NEFFA et E. DE LA GARZA (dir.), *Trabajo y modelos productivos en América Latina. Argentina, Brasil, Colombia, México y Venezuela luego de las crisis del modo de desarrollo neoliberal*, Buenos Aires, Clacso, 2010, p. 377-433.

The second type of human resource problem was provoked by the economic crisis. In Venezuela, most businessmen mentioned the problem of the dearth of skilled workers. However, because of the terrible economic conditions (and because of the huge gap between the legal, and black-market exchange rates), these workers can easily be hired in other countries of the region, and be paid in dollar-convertible currency (everything except bolivars). Therefore, CEOs have to constantly prevent skilled workers from leaving.

Issues related to human resources dealing with pugnacious unions and day-to-day relationships within the company constitute a vital matter in the Venezuelan economy. Several businessmen told us¹ that this was the most important aspect of their managerial work in Venezuela.

To sum up, a Venezuelan executive must face exchange rate problems, rampant inflation, price controls and complex HR relations. The question we will now answer is what bundle of strategies emerge using a cluster analysis based on the strategies as binary vectors.

¹ Interview, Gie, Dag, Lel, etc

6.2.2. Crossed subsidies, public clients and economic corsairs.

Agents located between the private and the corporate pole developed three types of strategies during the chavista governments of Hugo Chávez and Nicolás Maduro. The first was a strategy of crossed subsidies (n=10). The second, one that focused on selling technological products to the socialist state (n=5). We identified a last group of agents, that we refer to as economic corsairs (n=7), not because of their illegality, but rather because of the volatile nature of their endeavors. We will discuss their strategies shortly.

Before describing these strategies, we would like to clarify a methodological consideration for clarity purposes. Few individuals characterize each strategy. Therefore, we only take into account extremely prevalent economic action to portray these core strategies (see table 6.2 p.340 for detail). Table 6.2 shows the absolute frequency of economic actions for each group of strategies. With this data, we built table 6.3 that presents over and underrepresented variables for each strategy. Over represented variables are represented by a “+++” sign. Less over represented variables are defined by a “++” sign. We used a similar notation for underrepresented variables but with a minus “---” sign. So for instance, over represented variables of agents with a strategy of crossed subsidies (group 1, p.340), are shared by nine out of ten businessmen in this group. Slightly over represented variables are shared by at least seven out of ten agents with a strategy of cross subsidies. Numbers of reference for over and under-represented variable vary for each group (see table 6.2 p. 340 for clarification).

Thusly defined, strategies are cores of economic actions around which agents can engage in sometimes contradictory directions. As an instance, two agents with a strategy of crossed subsidies (n=10; group 1) take strong stances against unions and four take a soft one; the last four agents in the group did not insist on their particular relationship towards unions. Groups – clusters in a hierarchical cluster analysis – shed light on economic regularities shared by similar agents. This however should not make us miss the fact that these agents all engage in extremely diverse strategies. We choose, however, to focus on commonalities to unearth some of the “necessary conditions” needed to survive this complex business environment. In so doing, we will be able to

depict the statistical equilibrium that exists in oil states: an economic world where an ambivalent state intervention allows for different strategies to pay off.

		Group			
		1	2	3	
		n=10	n=5	n=7	
Government	Agenda	6	4	2	
	High Government	3	5	0	
	Low Government	9	5	4	
	Subsidized \$	8	2	1	
	Institutional hunt for \$	7	2	0	
	No subsidized \$	1	0	6	
Commercial strategy	Margins on all products	0	5	6	
	Internationalization	8	3	2	
	Importer	8	2	3	
	Negative Margins	10	0	0	
	Free price setting	0	4	6	
	Regulated product	10	0	1	
	Diversified supply	10	4	5	
	Prices future	1	2	4	
	Target	5	0	0	
Human ressources	Workers formation	3	1	3	
	fringe benefits	4	2	3	
	Importance of human ressources	5	1	4	
	High wages	1	1	3	
	Agressive Unions	5	0	3	
	Hard stance against unions	2	0	2	
	Soft stance against unions	4	1	2	
Chain of distribution	Buys to a distributor	1	0	6	
	Distributor	6	3	0	
	Changes distributor	2	0	6	
	Public contracts	0	3	1	
	Has short term strategy	5	1	4	
	Investment is important	9	5	0	
	Buys national raw materials	6	0	5	
	Buys Foreign raw materials	8	5	3	
	Produces in Venezuela	6	1	3	
	Sells technology	5	5	0	
	Up to date	5	5	1	
		≥	9	5	6
		≤	1	0	1

Table 6.2 Absolute frequency of strategy by group of binary vectors from hierarchical cluster analysis.

	Group		
	1 n=10	2 n=5	3 n=7
++	Low Governement Negative Margins Regulated product Diversified supply Investment is important	High Governement Low Governement Margins on all products Investment is important Buys Foreign raw materials Sells technology Up to date	No subsidized \$ Margins on all products Free price setting Buys to a distributor Changes distributor
+	Institutional hunt for \$ Subsdized \$ Internationalization Importer Buys Foreign raw materials	Agenda Free price setting Diversified supply	Diversified supply Buys national raw materials
!	Hard on unions Changes distributor	Workers formation Human ressources High wages Soft stance against unions Has short term strategy Produces in Venezuela	Agenda Internationalization Hard on unions Soft on unions
!	No subsidized \$ Margins on all products Free price setting Prices future High wages Buys to a distributor Public contracts	No subsidized \$ Negative Margins Regulated product Target Agressive Unions Hard stance against unions Buys to a distributor Changes distributor Buys national raw materials	High Governement Subsidized \$ Institutional hunt for \$ Negative Margins Regulated product Target Distributor Public contracts Investment is important Sells technology Up to date

Table 6.3 Over and underrepresented variables by group of binary vectors from hierarchical cluster analysis

6.2.2.1. *A strategy of crossed subsidies*

We labeled the first core strategy used by agents in chavist Venezuela as one of “crossed subsidies”. We draw this expression from an interview with a bank executive. He told us the government forced banks to lend half of their credit portfolio at a reduced rate (negative in real terms). However, it exercised less control on the consumption credits (majorly credit cards). Therefore, on the one hand the government squeezed companies that were allowed, on the other hand, to generate important revenues from other streams. This, he told us, was a form of “crossed subsidy”.

Examples of fixed Prices problems: carteras obligatorias (mandatory portfolios) and regulated products.

The Venezuelan economy under Hugo Chávez has been crisscrossed by several of such forms of constraints on margins. Here will give two examples of how agents circumvent these difficulties. The first are the mandatory credits (carteras obligatorias) imposed on universal banks in Venezuela (Bancos Universales). These were created in the 1970’s by Carlos Andrés Pérez to boost agricultural investments by forcing banks to hand over credits at a preferential rate to given economic sectors. To give an arbitrary example, banks were forced to hand out 5% of their credit portfolio to projects approved by the ministry for agriculture.

Hugo Chávez expanded the use of these mandatory credits to other four economic sectors (five in total): in addition to the agricultural sector, he enforced them on the housing sector, the industrial sector, tourism and micro-credits. All of these were approved by the national assembly and managed by designated ministries. This source of public budgetary muscle is a usually underestimated. As we heard from several bankers, mandatory credits take up to 51% of banks national net credit portfolio¹.

¹ Interview Nd

To face this threat, bankers employed two major actions. First, they relied on other sources of credit to stabilize their returns. This strategy also implied that banks had to strengthen their balance sheets in order to integrate safer assets into their portfolios (“consolidarse patrimonialmente”¹). A corollary of this way of reacting was that banks became extremely sensitive to changes in the economic conditions and enacted a series of mechanisms to capture new money as quickly as possible (“flexibilizarse”). Therefore, they had to transform newly available money into long-term – “safer” – investments.

The second strategy was a more complex one. It rested on the core of banking activity which is the spread. Banks take money at a passive rate and lend it at an active rate. Banks base their return on this rate. In an environment of fixed rates, banks have managed to calculate costs on correct estimates of what this spread really is, and by cutting costs accordingly.

In 2014, the most important active rate was 29 % for credit cards. The lower passive rate was at 12.5% for savings accounts. However, several other added prices applied (19% reserve requirements that go to the central bank plus a 30% reserve requirement on the rest of the deposit). This left the marginal capture rate at 19 % (how much money it costs to the bank to buy new money: the passive rate). However, most of the banking active rate (through mandatory credits) rests on rates ranging from 8 and 19, which could create a potential problem. And as a bank executive told us, the return of investment by the most important banks had been stable in real terms for past two years (counting from 2014).

Banks therefore account for these fixed rates by reinvesting in secure assets. This has negative counter effects as it drains resources for investing in long-term business endeavors². However, this allows banks to keep a positive return on equities (ROE) in real terms. Furthermore, for the companies that do access credit at these negative rates in real terms, this system can prove beneficial. The owner of a chain of supermarkets told us that he circumvented the second type of

¹ Interview Nd

² The rate of long-term debt has fallen for companies in the Caracas stock exchange during this period CÉSPEDES J., « Empresas Venezolanas: una década operando en entornos adversos », M. PENFOLD-BECERRA et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia: las empresas venezolanas*, Caracas, Ediciones IESA, 2009, p. 80.

controls on margins (regulated products) by using the cash flow generated by his supermarket business to access credits at low rates and invest them to sell products that followed inflation.

The second type of strain on margins are linked to the sale of regulated products. From 2012 onwards, the government regulated the price of basic, massive consumption goods. However, it did not allow the prices to follow the inflation. Therefore, companies selling goods at a regulated price lose money on each product. However, this has a counter effect of creating barriers to entry that are so important that only groups with a diversified basket of products can survive. Usually these big groups are themselves importers and distributors. Therefore, companies dealing with regulated products have become, with the help of the socialist state, de facto monopolies. Medium mono-producer companies' only alternative is to close down or to go into the realm of illegality by paying regulators¹.

Over represented variables in Table 6.3 (p. 341), show that agents in this group 1 do engage in a strategy of crossed subsidies. All agents in this group sell regulated products, therefore have negative margins on some of their supply and have a diversified offer. Agents in this group cover the loss from some of their products (imposed by the government) with inflated margins on other goods. As an executive in an important agribusiness told us, each time his company sent a truck of regulated products to retailers, it also sent water and yogurt, which more than covered for its losses. However, in return, he also became one of the few with an effective chain of distribution, making him indispensable in the midst of rampant scarcity of basic massive consumption goods.

More interestingly, this strategy of crossed subsidies is not a safe one. Because of the uncertainties it entails, agents in this group develop two strategies to minimize their losses. To understand these, we have to observe more closely the second category of over-represented variables. First these companies, cut costs by investing in machinery. All but one of the agents in this group said investments were extremely important for their company's future; however only one of them insisted on the importance of paying high wages. For agents in this group it was more important to

¹ Interview Bad

invest in physical assets rather than on human resources, even if five of the agents in the group insisted on the fact that their HR department were the most important in their companies.

Secondly, agents with a crossed subsidies strategy, try to personally deal with hard currency. They do so through two different paths. First, they develop a strategy we labeled an institutional hunt for dollars. Let us clarify this notion with an example from the president of a chain of supermarkets. He told us that every week, he sent his errand boys to the different ministries to ask for AAD (options for accessing subsidized dollars) for “poultry, meat and milk”¹. This helped him cut on costs whenever the government handed his company some dollars.

However, what we find more interesting about this type of crossed subsidies strategy is how used to this setting agents in this group were. As the CEO for a multinational agribusiness in Venezuela told us, he began his career by selling regulated products with an exchange control; and was ending his career selling regulated products with an exchange control. The only difference was that civil servants were “less educated than before”². By controlling companies’ margins, the socialist government was putting these companies into the same economic environment in which they had strived for over 30 years. Agents in this group had been importers and buyers of foreign raw materials in their youth. They knew how to act in these types of economic ecosystems; even if they had lost day-to-day contact with the highest spheres of government.

These capitalists attained their goal, not through systematic high-level dialogue with state officials (as the oil state literature suggests) but rather through constant low-level ministerial liaisons. We heard from several accounts that these companies, forced to sell at regulated prices, more usually than not, received calls from vice-ministers asking them to buy the raw materials they just imported because the state did not have enough plants to process the imports. Every one of these accounts reported that the conversation ended with civil servants saying, “This call did not happen”.

For this reason, the situation was not similar to that of the past. Eight out of ten agents with a strategy of crossed subsidies now had a considerable amount of their investments in other markets:

¹ Interview Dag

² Interview Bad. This was not the only agent in this group to deliver a similar message.

they had internationalized. This analytical category is purposefully loose. It groups agents whose companies have endeavors in other countries. In our analysis, this variable defined more than just multinational companies. Therefore, agents with this strategy do not lay all their eggs in the same basket; they try to consolidate their national firms with assets in hard currency.

Apart from the three agents working for multinational companies in group 1, five other agents working in national companies used investments in international markets to solidify their national returns. We will give only three examples. Eya is a bank executive whose bank has a very aggressive internationalization campaign. The bank has operations in the Caribbean and Europe. Then, Ubi developed a chain of drugstores that began to be extremely successful in 2000's. They decided to consolidate through a system of first national then multinational franchises. They have now over 100 stores in five countries. In a final example, Gie's company sells car batteries. Despite having been able to export to over eight countries in the 1990's and 2000's, he had to concentrate on the two countries where he had implemented a chain of distribution. Counter to the idea of the literature on oil states, , agents with a strategy of crossed subsidies were expanding their economic activities abroad albeit not through exporting. This is so because accessing the state does not guarantee access state officials sympathy. Consequently these companies cover their investments, in case this non-sympathy could become open wrath.

As evidence, agents in this group are excluded from public contracts; they have more or less confrontational relations with the socialist state. Agents in group 1, are not directly showered with petrodollars. This strategy of crossed subsidies is one in which CEOs try to survive a very hostile government that blocks them from accessing direct funding by obtaining the indirect benefits awarded by the financial wing of the oil state. This in turn requires that they have a structure to compensate for costs derived from fixed prices and multiple exchange rates. They do so by owning the chain of distribution, accessing subsidized dollars without engaging in regular talks with high-level state officials and by diversifying the markets to which they sell.

6.2.2.2. *Serving public clients*

In chapter 5, we referred to the CEO of an energy multinational that told us he wasn't a state contractor but rather a server of public clients. We used this expression to label this second group of agents that make money by selling technological products to the socialist state.

Server of public clients have recurrent contacts with high-level as well as with low-level civil servants (there is a high turnover among civil servants; this is even more extreme for low-level employees¹). Agents in this group work in companies that build important infrastructures and participate in the energy sector. Therefore, agents in this group 2 insist (Table 6.3 p.341) on the importance of investing in delivering technological products to a government that is extremely interested in up-to-date technology². Finally, this sector is closely linked with international markets as they only import foreign raw material. However, because most of the contracts are signed in hard currency they do not need to ask for large sums of subsidized dollars via Cadivi. They receive them through the public banking system.

This position buys servers of public clients the possibility of having returns on all their products. As the CEO of an energy company told us, because state contractors signed contracts (by definition), the government can not regulate them as it does with the commercial sector. In case of litigation, the contractor could very well argue that the price had been imposed by the state³.

This in turn allows server of public clients to reach a semblance of stability. They do so by chasing the government agenda. Thusly agents in this group have to keep regularly in touch with state officials to gauge the political imperatives of the government. This, is however not the hardest of their tasks.

Before displaying how agents predict the political necessities of the state, let us first provide two instances of what keeping in touch with government officials entails. First, the country representative of a security company told us that he regularly called presidents of publicly owned companies to ask them what they needed. This helped him understand which the long terms needs of the government were. Secondly, Vic, an oil executive, participated with several other companies

¹ Interview Bad, Pyt, Lel, Gie, etc.

² This last point is anecdotal, however, both state civil servants and state contractors insisted on the importance of up-to-date technology.

³ Interview Ull

in financing the exploration of the Orinoco Belt. He achieved this by a regular contact with PDVSA executives for the past 10 years (see below). This constant contact with state officials, however, requires that agents be as far from political feuds as possible¹.

Understanding the politically fixed lines of publicly funded investment in hard currencies was particularly easy in chavist Venezuela. As the executive in a software company told us, Venezuela under Hugo Chavez was a country where the political necessities superseded economic considerations². Therefore, by knowing which the overarching contracts being negotiated with “allied countries” were, companies could easily contact the most likely companies in their sector to participate in these big deals. And join them. Most of the major public contracts in Venezuela were attributed to a single company (when it does not happen, usually corruption scandals explode). Behind sizeable agreements with standard carriers, several other specialized companies also obtained important contracts. For instance, the construction for the metro cable of San Agustín (urban cable car to certain shantytowns) was attributed to a Brazilian company. However, a French company installed the electric system and an Austrian consortium put the cables and the cars. Furthermore, contracts for tickets, cleaning services among other still had to be negotiated.

Signing major public contracts

Either pressing matters or the bilateral agenda fix major public contracts in Venezuela. In the case of urgencies (the need of adding electric supply to the system in 2009 in the midst of an electric crisis, for instance) the government usually contacts intermediaries.

Regular negotiations however (roads, infrastructure agreements, deals with the energy sector), usually take place in the frame of bilateral agreements, except for matters of major oil contracts. These day-to-day contracts involve payments in bolívares and in hard currency by the state. Payments in dollars are usually sent to a foreign bank that asks for guaranties in state bonds in exchange. Often other guaranties are asked for: the contractor usually signs insurance policies to be covered in case of any eventuality. Furthermore, these contracts involve several players³.

¹ Interview Pyt

² Interview Dip

³ Interview Ull, interview Pyt

Therefore when studying these major contracts it is important to understand first the political imperative on which they rest, then to clarify the guaranties that states had to deliver, and finally the bank that helps financing the project. This model clarifies the understanding of these major deals.

Let us exemplify this with the instance of the Orinoco Belt contracts. In the midst of falling production, the government launched a program for exploring one of the most important oil deposits in the world: the Orinoco Oil Belt. The objective was a twofold to increase of Venezuelan oil output 2019. However, the national oil company (PDVSA) was suffering from serious cash flows limitations. Therefore, to explore the belt it asked a group of multinational and one national company to help with the heavy investment that was needed in the fields. International banks – in agreement with oil groups – however asked that the law was revisited before they would consider financing this project.

Let us clarify the context to make sense of what that renegotiation entailed. From 2005 onwards, PDVSA began a process of migration of contracts. Before that and since the 1990's, some fields were under operative control of foreign companies (in joint ventures or operational contract with PDVSA's subsidiaries) and other by PDVSA¹. The company negotiated with its contractors so that all these operative contracts on concessions became joint ventures. In these, PDVSA would have 60% of stock ownership and the contractors 40%. After a first step these mixed companies (compañías mixtas), were integrated in the streamlined PDVSA holding, as were their revenues. Companies went from being able to sell the oil they pumped in the international markets to selling it to the holding and having to wait for the holding to give them their contractual share. This process was propagandistically labeled an oil nationalization.

Banks – and companies – demanded that contractors have operational control on the Orinoco Belt oil fields in which they invested, and that they should receive immediately the returns from the sale of their oil in the international markets. This consisted in a reversal of the supposed “oil

¹ The company was streamlined in the end of the 1990's

nationalization”. Chávez and Rafael Ramírez (then ministry of oil and president of PDVSA), concluded this negotiation to increase the production in the Orinoco Belt just before Hugo Chávez died of cancer in 2013, and just before prices dropped dramatically in 2015. This meant that these operative contracts will be applicable for longer than previously thought: it takes much more to repay debts with an oil at half its value.

In this case, the state wanted to increase production. Banks demanded it handed operational control of its oil fields and its commercial activities with its partners. This resulted in an increased investment in the sector.

Servers of public clients develop the most rentier of the strategies in our data set. They regularly engage with high-level and low-level civil servants by selling technological (or ready-made¹) products to the state in contracts mostly written in hard currency. Interestingly, this group was not at all interested in training employees, even if most of them criticized the lack of qualified workers in the country. However, most importantly, they never changed their business target, nor had to change distributors. This group worked, as a CEO told us, in sectors with a low frequency of vibration. In lay terms this means that, all things considered, this group enjoyed the most stable position among this group of businessmen. However, this is a market for a group of happy few, mostly working for companies with fixed assets in hard currency².

To sum up the information thus far, the difference between the strategy of crossed subsidies and that of those serving public clients is one that relates to the type of interaction that economic elites engage in with the state. State contractors access the state directly, while agents with strategies of crossed subsidies relate to the state in a more routinized – and institutional – fashion. However, digging into these differences, we see that this distinction correspond to the two types of state branches we defined in chapter 1. State contractors develop strategies to serve what we referred to

¹ This was the case for parts of the housing market mission that took place in the 2010’s, preparing for Hugo Chávez election.

² Cases of corruption are always possible in Venezuela. In the midst of an energy crisis, the government bought general electric turbines for electric plants at the last minute. The company Derwick became the intermediary of this deal. Its four young founders amassed a considerable sum of money. Their case was taken to court in the USA, for racketeering. Charges were dropped in 2015.

as the direct developmental state (fomento state). Agents with crossed subsidies try to reduce the costs of the monetary policy orchestrated by the financial wing of the state (marked by inflation, and devaluation) by all means available. Amongst their pallet of options, these companies engaged in secret dealings with low-level officials, invested in foreign countries and in efficient machinery.

These two groups display the statistical equilibrium we referred to previously. On the one hand, a group adapts to the financial regulatory state, on the other, a group sticks to the developmental state. However, one supplementary group of strategies arose from this data set. We labeled them economic corsairs.

6.2.2.3. *Economic corsairs: making money out of every crack*

A leader in the business associations told us during an interview that his friend and partner (owner of several franchises) felt every morning as he climbed out of bed that he was putting on his gear and jumping into a Roman arena to fight gladiators. Similarly, the president of an energy company told us that he knew businessmen that found opportunities in every crack. We labeled them economic corsairs, because of the volatile nature of their endeavors; as well as for purely stylistic motives.

Their strategy is defined by both their fluidity and ability to generate immediate returns on products. Six out of seven economic corsairs do not access subsidized dollars, have returns on all their products (or aim at doing so) and sell products on which they can fix the price of sale. This can be particularly difficult for service companies dealing with regulated goods. Lel, owner of a chain of company's restaurants (that bought food at a regulated price), had to come to an agreement with its distributors to fix a common acceptable inflation rate and the pace at which their contracts would be renegotiated.

Not only are they usually downstream (they buy from national distributors), they also had to change distributors during the period. For instance, Blo needed a new piece for his fabric. He had to give up his supplier of twenty years, because he could replace the foreign piece (which requires dollars) with a nationally produced one.

A market of unsatisfied demand

The market for construction is relatively isolated from the exchange rate difficulties in Venezuela. As both CEOs in construction companies in our dataset told us, cement and steel bars could be bought in the country. Their most important problems were linked to the scarcity of raw materials.

During his interview, MenR accepted that doing business in Venezuela was “dynamic”. However despite the variations he saw a bright economic future for himself in Venezuela. The demand in the country, he told us, was “permanently unsatisfied”. This meant that the Venezuelan market would always require new products. Because of the unsatisfied demand, margins were more important than in other markets. The ride would be hectic, but he was sure to always find available markets and important return on investments. What he needed to do was “to adapt” to this demand.

Doing so had been relatively easy in the past. For instance, the first years under Hugo Chávez had seen a rise in office building constructions. Most of the Venezuelan headquarters were located in the city center. As it became more and more insecure, companies migrated to the east of Caracas. At that point, construction firms built office buildings. However, as few new companies were created after that first wave of relocations, the market halted. From 2009 onward as the government prohibited exchanges in hard currency at the black market rate, companies started investing in office buildings pegged to the rate of inflation. Building companies started erecting office buildings once more.

Similarly, in 2013, Sos begun building malls with space not for small clothing shops (as had been the case up to that point) but rather for big drugstores and supermarkets. As he told us, even if the government drastically reduces the amount of subsidized dollars he pumps into the economy, it would still have to hand some to the food retailers and pharmacies.

This implies that these types of companies do not specialize in any specific field. Therefore not only do they follow the demand, they also have to do so in different fields. For instance, in 2004 MenR was building a hospital, office buildings, apartments for holidays, industrial plants, and

managing the malls his company had already built. When we asked him whether this was a strategy of “crossed subsidy”, he replied that it was one of diversified returns.

The Venezuelan market allows for the existence of some businessmen that chase the demand – with high returns – and in different sectors – to prevent losses.

To face this instability, economic corsairs had to develop ways of dealing with these evident risks. To face them, they first shield themselves against circumstantial problems by diversifying their offer. This, as one businessman told us was not a strategy of crossed subsidies but one of diversified incomes. To shield themselves from the reduction in the quantity of available dollars they try to buy as much national raw or semi-fabricated products as they can.

This strategy however presents some unavoidable setbacks. First, agents in this position seldom seek to internationalize their ventures, even if Sos did start engaging in construction projects in the Caribbean and Voll has expanded his company into several Latin American countries (see Table 6.2. p.340). Secondly, this group of agents, are the farthest from the government radar in our set. However, and finally, they did not emphasize the necessity of investing in their company, nor on the fact they sold technological, up to date products.

Economic corsairs survive because the Venezuelan market exists and it allows for important returns on investments. However, the techniques they employ to reduce risk force them to under investing in technology and prevent them from internationalizing. Interestingly both of the agents working in illegal activities found themselves in this group.

This last point will help us understanding the difference between agents with strategies of crossed subsidies, those that serve public clients, and economic corsairs. Using the oil-state frame we can define these agents by their relationship to the state. Agents engaging in crossed subsidies receive the furies of the state. However in a strategy directed against them (and that has proven extremely beneficial as several businesses have had to close down), the surviving companies have become too big to fail; and have incidentally consolidated their financial muscles to endure such a situation. Servers of public clients have been able to court the state by avoiding politics and delivering

technological products. Finally, a group of corsairs has been as isolated as possible from state policies. This group however had to give up investing in technology driven companies as it had to reduce its investments in machinery.

By showing that the strategies of the economic elites in Venezuela do correspond to the multiple effects that oil states have on their economies, we confirm the first of the two metaphors that we wanted to test in this chapter. Agents in Venezuela do keep their eyes on their crystal ball to foresee to the best of their abilities what actions the state will take. However, much as in an orchestra, not all musicians have a similar vantage point towards the director. We wish now to delve into the specificities of the companies that prompted such strategies.

We will do so by pushing our argument one step further. We have shown that the strategies of the business elites in our sample answer to the incentives generated by the vertical and horizontal industrial policy. However, we now need to match state incentives with the structure of within-company specialization. By linking these two levels we will be able to argue that strategies in the Venezuelan oil state are driven by the state (agreeing with the literature on oil-state), but with a more sophisticated model, one that takes into account the particularities of the underlying social structure that economic policies impact.

6.3. Dual uncoordinated oil-state, social structure of specialization and economic strategies

We will now demonstrate the validity of our theoretical point, which is that the plural strategies of the economic elites in the Venezuelan oil State are the result of a confluence of state incentives and the structure of specialization of the business elites. This amounts to stating that oil states generate and sustain a measurable set of divergent strategies.

In this chapter, we added to oil-states theory by showcasing the state-oriented, logical strategies that economic elites follow: in our sample, state servers cling to the development state, agents with strategies of crossed subsidies survived by using the financial structure of the state; and finally, some economic corsairs were located in between these extremes. The latter, tried to tame state actions as much as they could.

Therefore, strategies in our set fit our analytical representation of the oil state economic structure¹. Agents adapt to both the vertical and horizontal effects of the oil state's industrial policy, thus creating complex interactions rather than a set of winners and losers. Some focus more on the one strategy and others on another. This first array of effects, constitute the uncoordinated, dual state-driven effects of the oil state. These have been responsible for the dire economic situation that characterizes the Venezuelan market. However, we find it simplistic to limit economic strategies to reactions to an economic environment.

Therefore, we further argue that the social structure of specialization in the oil state creates a space of lattice positions that fixes economic strategies. We thence propose that these economic strategies do adapt to the incentives of oil-states industrial policies but that they are embedded within this long-term social structure. This dual uncoordinated state structure, in turn is generated by a particular institutional arrangement found in the beginning of the 19th century.

¹ We argued in the first chapter that oil state had had two types of economic wings responsible for enacting the policy making in that domain. The First was the developmental state (fomento) and the second a financial wing. We referred to the former as being responsible for direct economic intervention, and the latter for indirect economic stimuli.

To prove this relationship of structural equivalence between the state and social-structure-driven incentives in the Venezuelan oil state, we now need to verify that the strategies projected on the plane 12 of the MCA fit the poles of specialization described in chapter 5. This structure presented three poles, a statist, a private and a corporate pole. If the strategies of agents in our set were to be embedded within this social structure of prolonged trajectories, they should fit the polar spatial disposition found in chapter 5.

We should however insist that this superposition of structural equivalences depict chains of probability and that ours is not a deterministic model. This is where we add to the oil state theory. Our point makes clear the mechanisms through which oil-state structures incentivize or hinder economic decision making in Venezuela. We do so by insisting on the fact that these social positions are escapable. They only reproduce themselves in time because the agents' economic experience constrain their horizons with a veil of normalcy¹. More than a curse², oil institutions affix blinders on managers embedded into structures of professional success. Agents that get to positions of power are themselves trained and selected in enclosed sectors of activity. Because the last thirty years have been ones of constant economic instability, the forging of their decision-making horizons has led them to overemphasizing the short-term. This instability-driven sense of urgency has done nothing more than reinforce the social differences depicted in chapter 5, and translate them into economic strategies.

6.3.1. Strategies and social structure

Figure 6.4 shows the groups (1, 2 and 3) of strategies located on the plane 12 of the MCA (chapter 5). We need to determine if the poles interpreted in chapter 6 correspond to the strategies characterized in this chapter. Let us start by commenting on the missing values. As we said

¹ Almost all of our interviews, were plagued with comments in the line of “this is how things are done around here”; or insisting on the fact that all executives shared similar common problems. However, these accounts of normalcy were logically contradictory among one another. For instance, some said the private sector was too small to be interesting, others that it was too huge to be grasped.

We have argued here that this economic space tolerates a multiplicity of strategies. Only managers with important positions and strenuous agendas feel that theirs is the only – if not the best – way of doing business. However, as a former businessman now turned politician told us, “businessmen are not as politicians. We are lost in our little realities and do not see the big picture”.

² KARL T.L., *The Paradox of Plenty*, *op. cit.*

previously, the answers we were able to code for in this analysis of strategies excluded agents whose interviews mostly referred to the business associations, businessmen with less activity in the 2000's and civil servants. Logically, most of the missing values are located on the left side of the MCA. This left side flocked what we referred to as the agents in low-status careers. This left side in the plane 12 grouped civil servants and what we called the “*bolibourgeois* pole” (p.272).

Before understanding how civil servants' strategy correspond to the location on the plane 12 of the MCA (class 3 of the MCA), let us clarify a void in our data set. As we did not conduct enough interviews with *bolibourgeois*, we are not able to single them out in this strategy analysis. Although as we saw in the dendogram, the two agents that worked in shady businesses, flocked in the hierarchical cluster analysis. Therefore, our data does not allow us to dig further into a characterization of this type of strategy. We could only delve into a detailed description of one of the agents with such a strategy (p.330-332). Even if our data suggest that, they – the *bolibourgeois* pole – should engage in similar endeavors.

6.3.1.1. *The strategies of the statist pole*

Let us proceed to fixing poles on the plane 1-2 with the strategies described in this chapter. The first pole was the statist pole; located on the upper left quadrant of the plan 1-2. It flocked civil servants. We purposefully externalized the effects of the oil state public sector on the economy for this chapter. Their aggregated effect on the economy was described above in pp.324 to 352.

If we could sum it up, for clarity purposes, agents in the statist pole engaged in a similar strategy. They sought to boost a new type of economic model using public funds and regulatory powers to limit the strength¹ of the traditional *bourgeoisie*. The accounts of the four civil servants in our data set might prove insufficient to describe thoroughly the intricacies of chavist economic policy-making², however, in light of other businessmen's accounts, they had extremely similar discourses

¹ EL TROUDI H., *La Política Económica Bolivariana (PEB) y los dilemas de la transición socialista en Venezuela*, Caracas, Centro de Estudios Políticos Económicos y Sociales, CEPES, 2010, p. 110.

² For a detailed account of the budgetary policies during those years read MEDRANO CAVIEDES C., *Analyzing fiscal implementation gaps in Venezuela*, op. cit.

on economic decision making. Therefore, agents in the statist pole are closely located on the planes 1-2 and define a space of economic strategies. This first pole corresponds to the regulatory effect described in this chapter.

6.3.1.2. *Private sector: a strategy of crossed subsidies*

Based on the conclusions of the hierarchical cluster analysis in chapter 6, we showed that planes 1-2 opposed a second flock of clusters. On the bottom of the plane, agents belonged to what we referred to as the private pole. On the right hand side (upper right quadrant) of planes 1-2, agents grouped into the corporate pole¹.

This spatial opposition rested on an educational as well as an on a professional divide. Both were, connected by a functional link. On the private pole, agents went to private, high-status high schools and universities. They did not even seek to obtain master's degrees as they administered companies that had few stockholders and that were relatively smaller: in these companies the decision for choosing managers did not rest on academic merits. Furthermore, they attained presidential positions faster. Because of the structure of the company they conducted, they could easily be put in charge of companies without regard for their academic credentials. Consequently, agents in this private pole, had fast-track careers into the business world.

Similarly, on the corporate pole, agents had master's degree abroad that they used to climb the long-term career that led them to occupying executive positions in major corporations (multinational and national). Once more, agents in the corporate pole had diplomas that fitted the structure of the business they had finally conducted. In these, academic credentials –and economic results – are essential to advance in the hierarchy. On the contrary, not having them can prove counterproductive. This is why agents in these companies obtain MBAs and PhDs.

This distance in the social space, defines a range opposing different company structures. At the one end were privately owned businesses; at the other, larger corporations. figure 6.5 (p.359) shows strategies 1 to 3 located on the plane 1-2 and their representative cases. These clusters of strategies

¹ For further clarification on the distinctions of these poles, see chapter 5.

follow the private pole/corporate pole opposition.¹ Servers of public clients (strategy 2) are located nearer the corporate pole and agents with a strategy of crossed subsidies (strategy 1) are located in the vicinities of the private pole. Between them both, the economic corsairs struggle to exist.

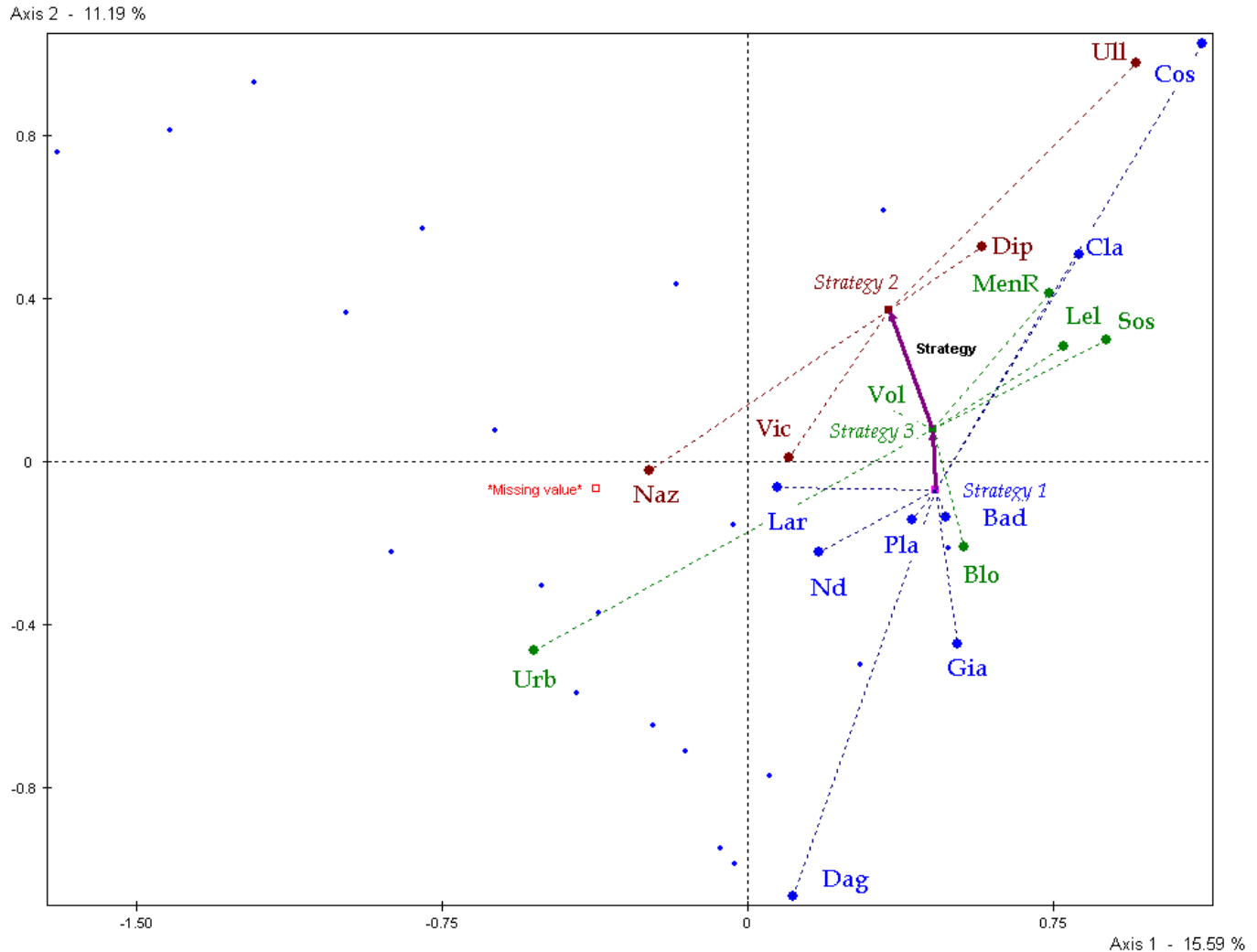


Figure 6.5 Projection of the groups of strategies on the plane 12 of the MCA, colored by strategy

So first, we can say, that strategies in our set of Venezuelan businessmen match the structure of the companies for which they work, confirming the sail and the motor boat metaphor, used previously. This confirms that the positions in the structure of specialization drives the strategies of the

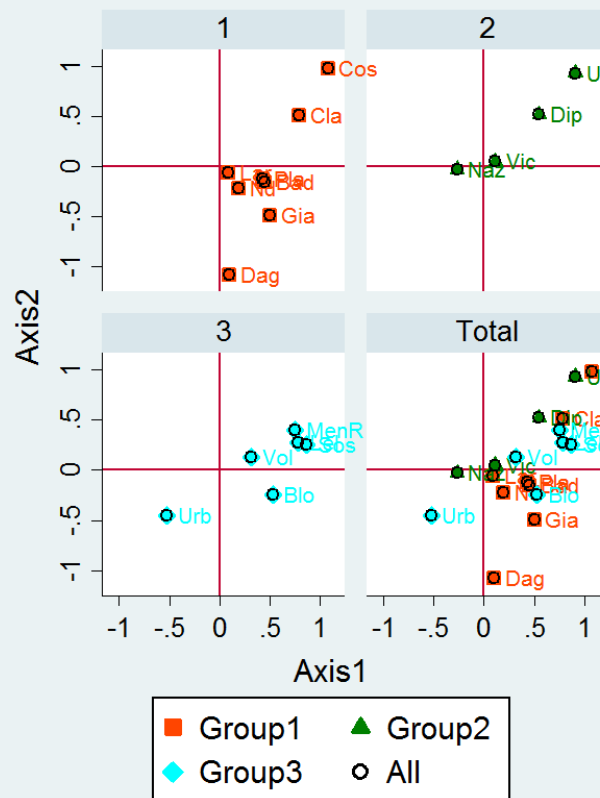
¹ Although they mostly account for agents with larger companies (a bias in our data set):this is why the point for strategy 1 is located close to the 0 mark of the second axis.

business elites. In return, this indicates that the oil state affects an underling ecosystem of companies.

Secondly, figure 6.4 links strategies to the type of state incentives to which business elites respond. Servers of public clients connected mostly with the oil state's horizontal industrial policy incentives and agents with strategies of crossed subsidies were permeable to the incentives of vertical industrial policy. The former was driven by the developmental state, the latter by the financial branch of the state. Therefore, as axis 2 matches the poles of specialization in which companies are located to the type of state incentives on which they drive. On the bottom of the scale, strategies mostly connect to the financial state. On the higher end, they are attached to the extremely noticeable *fomento* state (developmental). Between them, economic corsairs found an economic space that surfs on state regulation. Therefore, within this framework, the oil state has helped developing a space of distances defined by poles of within-company specialization driven by the different incentives generated by the dual, uncoordinated oil-state. This is of extreme importance as it gives us grounds to propose a counter theory to that of the oil state, which rested on its ability to link structures to business strategies. However, before closing with a more theoretical conclusion, let us use this social space to enrich the story presented in Chapter 5 (see. 2002 anno zero p.303).

The importance of outliers: the plasticity of a probabilistic model.

Figure 6.6 shows agents located on the plane 12 of the MCA colored by group of strategies. We will use this graph to explain the special position of multinational companies in our set. To do so, we will pay special attention to Cla and Cos. They both work in multinational companies that deal with regulated products. Because of this, they are classified as having a strategy of crossed subsidies (strategy 1). However, they are located near the corporate pole. Our proposed model posits that major corporations tend to serve public clients. In this case, an international corporation is at the center of a political opposition that leads it to engage in a strategy that should be linked with companies in the private pole.



Graphs by Group

Figure 6.6 Details of the groups of strategies projected on the first and second axis of the MCA.

However, this result suggests, that the structure of a company does not automatically produce one type of strategy. Some multinational companies can have similar strategies to that of national

conglomerates. For instance Cos and Cla (and Bad, the other multinational owner in this set) maintain regular talks with high-level public Venezuelan officials, which sets them apart from Gie amongst others, whose company was almost nationalized.

Rather, similar companies engage in similar strategies not out of a structural necessity stemming from their organigrams. As we see, different companies can engage, in similar strategies from dissimilar positions. However, because this structure corresponds to a framework of familiarization with the rules of the game (an economic socialization of sorts¹); and because similar companies coexist in similar sectors, it is a useful frame of reference to link strategies to types of companies. We do not want to reify links that could be mistaken with necessities. Our model suggests that social logics can be understood, but also that they can be revisited. This model works because economic practices are solidified through economic customs and cemented by state intervention, not because of an overarching curse.

¹ Although this term is to be taken with extreme caution, as the action of economic agents depends on the corporate culture within a company, on their training in different economic realities, etc. We use it here as a term of convenience, even if an in-depth study of how the structure of a company leads to particular types of managerial training and practices, would be most interesting in oil countries.

6.3.2. A biased economic social history of Venezuela under chavista rule.

We will now unravel the events of the past ten years using our theoretical framework and the MCA enriched with the annexed information interpreted in this chapter. This will deliver a partial history of business elites' under Hugo Chávez. We need however to clarify the context in which Hugo Chávez took power.

The economy that Chávez sought to reform was still recovering when he got to the presidency. Oil prices were at their lowest in a decade. The country was still convalescent from the backlash of the 1994 banking-crisis that blew away 60% of the Venezuelan financial assets¹. This was the last of a series of events that marked the 1990's decade as being a particularly unstable one for the financial market. The decade had seen rampant inflation and peaking lending rates that strongly affected the commercial sector². Nevertheless, it was not entirely negative for commerce as the 1990's oversaw a major transformation with the opening of the market to international franchises and massive malls. However, the decade had particularly strong consequences on the industrial sector.

First, some formerly nationalized companies were privatized (such as CANTV and SIDOR), even if the privatization process was not pushed as far as it was originally conceived³. Secondly, the PDVSA holding sought to raise faltering production. To do so it organized a bidding process for mature fields. This re-introduced foreign economic companies into the Venezuelan oil fields on a massive scale. In this effort, some national companies were summoned to the oil and steel sector⁴. At the end of the process the then president of the group tried to streamline the structure into one company⁵.

On the private front, traditional industries were affected by the external shocks and the piking exchange rates. Sectors such as the once flourishing, even if protected, textile sector were hit by the process of economic liberalization⁶; similarly the car-parts industry was affected⁷. Both were

¹ Interview Nd

² Interview Blo, Interview Fad both said they almost went bankrupt because of this fluctuation of rates.

³ According to two high status civil servants serving under the Caldera government.

⁴ Such as construction companies Interview Sos

⁵ Before it was divided into three up streams companies.

⁶ Interview Rah

⁷ Interview Gie Interview Poc

hit by what a former auto parts owner referred to as an “inconsiderate” economic liberalization process.

On the policy front of the second half of the decade, after a first period of economic chaos (ensuing the 1994 financial crisis and its poor handling¹), the Caldera government (1994-1998) reformed its economic strategy and cooled the economy down. The economy was stabilized by 1997; this took place during the tenure of Teodoro Petkoff² as Minister of Planning under President Caldera, although it did so at an extremely elevated social price: poverty was as high as 60% in 1998. Central to this story is that Fedecamaras (overarching business association), was entangled in the banking crisis and was divided into profound political oppositions³.

When Chávez got to power, therefore, he had all the available tools in his hands to obtain and use the state’s power over this faltering economy. On the public front, the oil sector was streamlined and it was open to the control of whomever wanted it. Furthermore, investments were only to be directed towards the most profitable fields (the others were controlled by international companies). On the private front, Fedecamaras was divided as the banking system was shattered. Because the construction sector was highly dependent on loans, it also was at a stop.

The first *rapport* between the government and this vulnerable economy was not confrontational. Chávez kept the Caldera ministry of economy in its cabinet. In more concrete terms, these were years of amicable regulatory accord. On one hand, the government pushed the privatization process forward. First, they sealed the liberalization of the telecommunication sector with the telecommunication law of 2000⁴. This opening to the competition suited the private sector so much, that when Jesse Chacón was called as a chief of staff after serving as director of the National Telecommunications Commission (Conatel), he was celebrated by the moguls of the industry in a

¹ Interview and AROCHA M. et E. ROJAS, « La crisis bancaria en Venezuela: antecedentes, desarrollo e implicaciones », *op. cit.*

² Interview Teo, Interview Blo. Interview Ber

³ GATES L., *Electing Chavez*, *op. cit.*

⁴ Interview Naz

private party in one of Caracas' hotels¹. Secondly, the government oversaw and agreed with a process of bank fusions that set the bases for the consolidation of a renewed banking system².

On the private sector front, despite vocal oppositions from some of the most preeminent members of the business world, the business unions were open to dialogue at first. From our interviews, the construction sector and the merchant marine sector sent major reforms of the sector to the government for its consideration. Business leader accompanied the government in some official trips. Although the chavist government overlooked these demands, the government and the business associations had a fluid relationship until 2002, when bridges were cut³.

The break began with a fight for the control of the oil holding, PDVSA. Chávez began naming non-PDVSA managers to serve as presidents. This conflict escalated into an open war that finally ended in a national oil strike in December 2002, seven months after the attempted coup d'Etat of April 2002 which brought the then president of Fedecamaras to the presidency for a day.

Out of figure 6.5 we can deduce how economic elites adapted after 2002. First, the government cut links with economic groups that were strongly linked with the business associations. These groups were cut from direct access to state contracts in the midst of an oil boom (beginning in 2004) and with a government that was transferring funds to the lower and lower middle classes. This "Chávez class" as a businessmen defined it, was able to buy imported products; cheaper because of the exchange control. The president of a technology company described the years ranging from 2003-2009 as an economic party.

Agents that now engage in a strategy of crossed subsidies were not hit as much by controls as they would be further on: price controls were implemented in 2011. Therefore, this group of agents with a strategy of crossed subsidies was not as affected by the first years as it strived on an expanding market and were harbored by the financial arm of the state (with, amongst other things, access to controlled interest rates and subsidized dollars⁴).

¹ Interview Naz, Baud.

² Interview Baud

³ Interview Her : all former middle-level civil servants say that after 2002, the government cut bridges with the organized representative structures of the private sector.

⁴ One of the conditions to access credit was paying taxes, which excluded the fact that a majority of businesses.

Secondly, the state financed a group of *bolibourgeois*. These were small business owners that invested in relatively small industries that they expanded through their direct access to the state. The most prominent of them reinvested their benefits in the banking sector¹. Because government had forbade institutional talks with the private sector, economic access to the state was solely obtained through direct contact. Those who did access major state officials could expect massive returns.

Thirdly, Chávez asked for the help of international companies in mostly technology (or big scale) projects. It is important to note that these international projects were signed with allied countries (Russia, China, Brasil, Bielorrussia, Argentinia, etc.). However, behind these umbrella projects, more traditional multinational companies (Europeans and American) could still sell to the government and with competitive returns.

In 2009, this “economic party” begun coming to an end. Chavism in power, begun nationalizing land (greatly affecting the agricultural sector upstream and downstream) and creating prices controls over massive consumption products; these policies produced d scarcity. This created strains on demand for dollars that were not longer available for the rest of the economy. Simultaneously the government started introducing liquidity in the financial system which caused greater inflation.

Simultaneously in the midst of a financial crisis, the government intervened the banking system and bought most of the assets of the bolibourgeoisie, driving the first generation out of business. However, others would soon follow in their steps, even if never in the same scale.

This intervention separated the economic spectrum and forced it into the triangular form that we described in chapter 5. The pole with a proximity to the business associations had to engage in a survival strategy that we characterized as one of crossed subsidies. They used their position to navigate the regulation. A second group surfed on the economic wave by selling unregulated

¹ Interview baud

products in niche sectors. Their focus was generating returns in real terms. Finally the government kept on attracting major multinational's investment in technological (or heavy industrial sectors): for instance on the housing mission and the deal to invest in the Orinoco oil belt.

Because oil states create statistical equilibria, working at its fullest, the government simultaneously attacked and preserved the economic elites it was swearing to oppose. It attacked them by excluding them from accessing direct state contract. They also tried to implement general regulations (such as controlling prices and reducing margins of return). However, these measures affected other companies that had no link with those they wanted to attack. Because of the undesired side effects the government could not pursue this road at its fullest. On the other hand, it also solidified those elites Chavez wanted to promote (although by a different mechanism). This in turn resulted in a complex system of multiple strategies that emanate from economic customs.

6.4. Conclusion: A model for economic decision making in Venezuela

6.4.1. Sum up: clarifying the model

Building on chapters 2 3, 4 and 5, this chapter proposed a model for understanding how the State affected the strategies of economic elites in oil states such as Venezuela. We have shown that the strategies of business elites in Venezuela are embedded into a historical beam of institutions. These institutions were the result of negotiations that occurred at the end of the 19th century and that built the structure through which public funds can be pumped into the economy. Due to circumstance in Venezuela this double (development, and financial) structure, set the bases for a system that tolerated a statistical equilibrium: one in which several types of companies could survive simultaneously. This structure sedimented and solidified in time. This created a system in which economic elites were selected via different routes. This structure of selection fits the type of companies in which business elites succeed.

Under a period of systemic economic instability, companies prefer different strategies for reproducing their position in the economic structure, that is those that permitted them to save as much of their core business as possible. Therefore, this system of multiple selection became one of measurable, multiple strategies. Each one of these strategies rested on one of the state incentives described above. This shows that the oil state produced the economic policy (responsible for the instability) and that it consolidated the social structure that explains the multiplicity of companies' strategies at play.

We argue, however, that this model does not work only under the Maduro government. Because instability has been a permanent feature of the Venezuelan economy for the last 30 years¹, this model fits the past twenty years of Venezuelan history. Furthermore, with a previous clarification of the institutional particularities, it should fit any country for which the economy and the legal system are volatile because of an uncoordinated state structure.

¹ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, op. cit.

The interest of our proposed model is that it allows us to define strategies as a way in which a manager solves a combination of prevalent problems in the economy. By linking clusters of categories calculated with different methods, we are able to untie agents' characteristics and their actions to evaluate how they combine. Thus, we come to understand which kind of companies within an economic system develop which kind of strategies. With enough data this could be developed as a comparative method for evaluating how particular types of companies develop particular strategies in given economies.

In the Venezuelan case, the dual economic state structure provokes a statistical equilibrium that lead multinational companies to flock with the industrial state and national corporations to connect with the banking system. This leaves the economic corsairs to pick up the economic leftovers either through an illegal strategy of low-level, public-sector corruption, or through a more legal way of surfing on economic difficulties.

6.4.2. Theoretical implications

Our model presents two major interests. First, we are able to link institutional structures to the reproduction of economic actions (often equated to a curse¹) from a perspective that focuses on business structures. Therefore, we are able to reintroduce state effects into the more modern company-oriented oil state works²³. Instead of just stating that instability has provoked companies to act the way they have, we were able to show how this link came to be, by introducing a historical, institutional dimension. This framework pushes the oil state literature one-step further.

The second interest in our model is that it builds on the literature on the varieties of capitalism⁴ by adding a supplementary layer to the analysis. Not only, do we argue, is the structure of the company (defined by its HR strategies – including dialogue with unions and forming workers –, as much as

¹ KARL T.L., *The Paradox of Plenty*, *op. cit.* ; DIJOHN J., *From Windfall to Curse?*, *op. cit.*

² PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

³ Penfold

⁴ EVANS P.B., *Embedded Autonomy*, *op. cit.* ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.* ; SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

it is by its commercial strategy) the most interesting indicator of a company strategy, this strategy is embedded in an institutional spathe built through time.

Using computer programs on qualitative data, we are thusly able to adopt a company-oriented view that clarifies macro oriented questions regarding the link between state structures and economic decision making. This, we think, is an interesting contribution. Furthermore, it allows for a reinterpretation of the chronology of state/private sector relationships, which is usually extremely politicized.

Finally, without a closer look the intricacies of the private sector in Latin America, we will not be able to escape first-level, tautological approaches. The primary example of this kind of approach is the oligarchic analysis that posits agents with economic power are powerful; this view usually expands to include a proposition that naturally homogenizes the upper classes. Our view breaks with the need to assess the uniformity of the business elite by defining their interactions and strategies and by clearly characterizing the institutional framework in which they act. This is not a revolution; it would however be an interesting research path to follow.

7. Conclusion. Embedding the strategies of the business elites in oil-driven economies, generalizing from a concrete case.

7.1. Venezuela: structural stability and social transformation

The first generation of authors working on the advent of Hugo Chávez to the presidency was guided by one tantalizing question¹. How had the Bolivarian revolution conquered the Venezuelan political power so swiftly? The ones preferred a social answer, arguing that the political revolution had been nested on the rising rate of poverty inherent to the liberalization reforms of the 1990's², on the exclusionary logic of the *pacted* democracy³ and on the populist-leaning nature of the Venezuelan electorate⁴. The others were quick to blame the political elites. If Chávez had reached power, it was out of the economic policy failures promoted by the oil-fueled political system⁵; Chávez could have been stopped if only the economic elites had adopted a concerted effort against him⁶.

After a decade in power, without having reached any consensus on this first empirical puzzle, research interests shifted to understanding if Chávez' prolonged hold onto the presidency had "changed" the Venezuelan society - that is, if his revolutionary claims had proven to be true. Mirroring the political spectrum, academic answers polarized. Some said that change was evident. Under Chávez, social movements had been somewhat promoted⁷. Even if grass-root organizing preceded Hugo Chávez, and that he did not introduce working-class politics to Venezuela. Nevertheless, he had contributed to finance the social missions⁸ and under his watch, the "communal power" had been strengthened⁹. Critics however, started to notice worrying signs of continuity. The rise in social spending came at the price of fiscal deficits¹⁰, and would result in the

¹ MAYA M.L., *Del viernes negro al referendo revocatorio*, Caracas, Editorial Alfa, 2005, vol.35 ; ELLNER S. et M.T. SALAS, *Venezuela*, *op. cit.*

² BUXTON J., *The Failure of Political Reform in Venezuela*, *op. cit.*

³ ELLNER S., *Rethinking Venezuelan Politics*, *op. cit.* ; REY J.C., *El sistema de partidos venezolano, 1830-1999*, *op. cit.*

⁴ HAWKINS K.A., *Venezuela's Chavismo and Populism in Comparative Perspective*, *op. cit.*

⁵ CORONIL F., « State Reflections: The 2002 Coup against Hugo Chávez », *op. cit.* ; HAUSMANN R. et F. RODRÍGUEZ, *Venezuela Before Chavez*, *op. cit.*

⁶ GATES L., *Electing Chavez*, *op. cit.*

⁷ SMILDE D. et D. HELLINGER, *VENEZUELA'S BOLIVARIAN DEMOCRACY*, *op. cit.*

⁸ D'ELIA Y. et L.F. CABEZAS, *Las misiones sociales en Venezuela*, *op. cit.*

⁹ ELLNER S., « Las estrategias desde arriba y desde abajo del movimiento de Hugo Chávez », *Cuadernos del CENDES*, 2006, vol. 23, n° 62, p. 73-93.

¹⁰ CORRALES J. et M. PENFOLD, *Dragon in the Tropics*, *op. cit.*

same oil-driven burst that had been witnessed in the past¹. Venezuela's disastrous economic results under Nicolás Maduro's presidency, have tended to reassert the position of the critics of the chavista's erratic macro-economic policies.

As our view does not stem from a political critique of the Venezuelan regime², our theoretical framework has found that both these working hypotheses have hinted at parts of a general answer. On the one hand, the oil-driven structural economic incentives weighing on Maduro's Venezuela are similar to what they had been for – at least – the last thirty years³. On the other hand, amidst this structural stability a political revolution had been taking place. One that radically altered the social properties of agents occupying leading economic positions in the public economic sector, and that shook the traditional political world. This new world of predominantly, public educated business elites, collided with an existing structure of selection for the business elites that they short-circuited. Despite what chavism in power tended to argue, these paths were characterized by long-term professional selection that completed an array of possible educational possibilities.

This political transformation amidst a structural stability in the economic world is exemplified by table 7.1. It shows the sectors represented in two presidential forums created to incentivize economic production. The first is the national economic forum, created in 1946 to help the government of Rómulo Betancourt orient his economic policies. Nicolás Maduro created the second in 2016 amidst dire economic conditions: its name was the national council for a *productive* economy. Seven out of the ten sectors represented in the 1946 forum, still had a place in 2016's forum. Their names were completed with the word “motor”: the industrial sector (1946) thus became the industrial motor (2016). However, Venezuela had not only underwent a semantic transformation; one in which revolutionaries sprinkled socialism on top of state-capitalism. Some new sectors were purposefully included in the 2016 forum, either for political reasons (the military motor) or for technological reasons (the telecommunications motor).

¹ WEISBROT M. et L. SANDOVAL, « The Venezuelan economy in the Chávez years », *Center for Economic and Policy Research*. <http://www.cepr.net/content/view/1248/8>, 2007.

² Even if it is extremely difficult to argue in favor of Maduro's disastrous handling of the economy.

³ CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

	<u>National council of economy</u>	<u>National council for a Productive economy</u>
	1946	2016
Matching	Industry	Industrial Motor
	Banking	Banking, Insurance and stock Market Motor
	Agriculture	Agribusiness Motor
	Fishing and livestock	
	Oil	Hidrocarbons Motor Petrochemical Motor
	Unions	Working class Communal economy
	University	University
Dissimilar	Commerce	
	Mining*	
	Transport	
		Motor for exports Construction Motor Telecommunications and Informatics Motor Military Motor Tourism Motor

* In February 2016 the Government signed a law to develop gold
minning in the Guayana region

Table 7.1 Sectors represented in the national council of economy (1946) and the national council for a productive economy (2016),
source press

Through the looking glass of the forums for economic reform, the Venezuelan economic policy had only moderately evolved during the 20th century. It had only tolerated the technological transformations of the world economy. However, from the vantage point of the economic agents dealing in Venezuela, the country's economy was nothing short of chaotic¹. This view was commonplace among the business elites. Only one manager told us that his day-to-day was smooth; “relatively speaking”, he had to clarify later in the interview. This oscillating business sector was epitomized by the advent of the *bolibougeoisie*. These economic agents made money by linking themselves with the *chavista* state. The usual explanation for the appearance of these “crony capitalists”, argued that the *bolibourgeois* were the raw manifestation of the economic mishandlings of the *Bolivarian revolution*: the evidence of corruption and complete amateurism.

¹ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, op. cit.

Without commenting on corruption, which this dissertation was only able to prove existed, we took an almost naïve appreciation of the economic situation. If structural economic conditions had been stable during at least a generation and that since the 1980's the Venezuelan economy had been *turbulent*, then, we argued, the general institutional framework prompted this “turbulence”. Against the view arguing that the turbulence, epitomized by the bolibourgeoisie, was the product of a mishandling of the economy, we contended that it stemmed from the use of the oil-state's apparatus at full throttle. Oil states, in our view, generated this seemingly chaotic output. The Venezuelan example proved to be a privileged vantage point for observing the structural incentives generated by oil-states. And in consequence to answer a classical question in political science: how do oil-state institutions shape the behavior of the business elites it incentivizes?

7.2. Theory: a dual, uncoordinated state producing mixed incentives.

Our model of the oil state incentives relies on a historical argument. The Venezuelan oil-state *centralized* and *modernized* around two distinct state economic structures created in the 1870's and that consolidated throughout the 20th century. The first was the fiscal and port structure forming the “financial branch” of the state. It first worked through an agreement between the finance minister and the Banco de Venezuela created in 1890¹. The bank acted as the financial representative of the state, and the finance minister as its *principal* to use a modern term. This financial arm then pushed for the creation of a central bank in the 1940's². The second branch of the state – that we labeled the “*fomento*”, developmental branch – attracted the larger international investments (the railways and then the asphalt concessions)³. It also sent reserves to the interior of the country through a system of regional funds⁴. This system was then responsible for the development of the oil and iron ore industry in, respectively the 1910's-1920's and 1950's.

¹ VALLENILLA N.H., *Formación y crisis de un sistema financiero nacional: Banca y estado en Venezuela 1830-1940*, *op. cit.* ; BANKO C., *Política, crédito e institutos financieros en Venezuela, 1830-1940*, *op. cit.*

² CRAZUT R., *El banco central de Venezuela Notas sobre su historia y evolución en sus 70 años de actividades*, *op. cit.*

³ FLOYD M.B., « Política y economía en tiempos de Guzmán Blanco. Centralización y desarrollo, 1870-1888 », *op. cit.*

⁴ RODRÍGUEZ F. et A.J. GOMOLIN, « Anarchy, State, and Dystopia: Venezuelan Economic Institutions before the Advent of Oil », *op. cit.* ; PÉREZ PERDOMO R., « Réquiem para el fomento: sobre la relación entre estado y negocios a través de la historia del Ministerio de Fomento », *op. cit.*

The *financial* branch of the state in Venezuela is responsible for the *horizontal* industrial policies¹ in the country: it fixes the larger rules of the game: exchange rates, liquidity, etc. The industrial, *fomento*, branch of the state is responsible for the vertical industrial policy as it promotes industries and signs direct contracts with business associates. These two branches of the state therefore generate different types of incentives for the business elites it affects or promotes. From this historical appraisal, we contend that the dual oil-state structure produces a public strategy² responsible for creating mixed incentives for the business elites. Furthermore, from several empirical accounts and evidence from other oil-states³, we were also able to infer that the branches of this structure seldom coordinated.

Therefore, the evidence of the *bolibourgeois* reveals an institutional structure that simultaneously promotes several groups within the business elites. We labeled this scaffolding, an uncoordinated dual institutional structure generating mixed-incentives. This type of institutional structure is prevalent in oil countries and states stuck in the middle-income trap. In these countries, where vertical industrial policy is a political necessity, an uncoordinated state is usually the norm. For instance, mining countries have to take a stance on their extractive industries and promote a sound financial policy. This Venezuelan example has therefore larger grounds for application

7.2.1. Verifying the model: structural incentives and economic policies in oil states

This dissertation proved the internal validity of this model (chapter 2). In line with our abstract construction, the strategies of the business elites in Venezuela followed the incentives generated by this theorized, dual, uncoordinated state structure generating mixed incentives. The strategies of the state matched the state's – at first glance, *schizophrenic*, – mixed-incentives strategy. Horizontal and vertical, industrial policy incentives, ordered the strategies of the business elites in the country. In chapter 6, we showed that a first group of agents sold technological goods to the state through direct contracts signed in hard currency (major infrastructure deals, equipment for the energy sector, joint ventures, etc.). A second group sold a basket of regulated products and

¹ STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

² EVANS P.B., *Embedded Autonomy*, *op. cit.* ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.*

³ HERTOGEN S., *Princes, Brokers, and Bureaucrats*, *op. cit.* ; KAZEROUNI A., *Le miroir des cheikhs*, *op. cit.*

unregulated products: covering the loss of the former with the revenues of the latter. These business elites with a strategy of crossed subsidies accessed the state in an institutionalized and routinized way. They achieved this by constantly soliciting dollars and increases in regulated prices. Their strategy consisted in surviving and expanding their markets shares as the tight controls swept the less performant – usually smaller – companies in their sectors. Finally, in between these two ways of using the state, a third group of economic corsairs, had a niche strategy, building their companies on the “cracks” of the Venezuelan economy. In our set, the agents from the correct social milieu filled the niches in the private sector. Those with less prestigious upbringing sold to the state. The latter fit the social description of a *bolibourgeois*.

This dissertation also showed (in chapter 5 and 6) that these institutional incentives, did not affect the economic structure homogeneously. In line with our theoretical model, this system of mixed-incentives translated into a specialized economic world. This specialization rested on a long-term recruitment process (chapter 3 and 4). As companies specialized, they were able to select the economic agents that suited them. Specialization, however, produced a specific segmentation of the economic structure. The process whereby companies – with the assets and work force these carry – select specific managers built poles of specialization. We found that three types of such poles existed in the economic structure: a corporate pole, a pole of smaller private companies (we referred to it as a “private pole”) and a state pole. In between the private and the state pole, a group of agents with low-status education passed deals with the state (we referred to them as the *bolibourgeois*).

Each of these poles had developed different strategies for selecting their own. The more economically independent, excerpted a professional selection on top of managers educational selection; the less complex structures hired managers shortly after their university studies, usually in private universities. In consequence, these poles of specialization proved to rest on long-term trajectories. These trajectories were usually anchored to an economic sector or a particular type of company. Furthermore, as long-term trajectories matched types of companies, these poles fixed the skillsets and the economic experience of the business elites. In conclusion, these poles of specialization generated a space of probabilities that fixed the skillsets of the business elites, as well as it did for their economic practice.

Unsurprisingly, and in line with our theoretical framework, these poles of specialization matched the strategies of the business elites in Venezuela. Agents in the corporate pole tended to have direct

contact with the state and agents in the private pole tended to have a strategy of crossed subsidies. Agents with a niche strategy were located in between these two defining poles. Therefore, on the one hand the strategies of the business elites matched the state's mixed incentives. On the other, they fitted the poles of specialization, which were built over long-term selection processes. Finally, proving the internal validity of our model, in the Venezuelan oil state, the strategies of the business elites were the results of the uncoordinated state, mixed incentives, mediated by the specialization of the social structure.

7.2.2. Larger theoretical implications of the uncoordinated state model:

7.2.2.1. *A dynamic view of the oil state*

This result bears significant theoretical implications for two major bodies of work. First, it completes the literature on petro states¹, and therefore the theory of the state. By relying on a new wave of studies theorizing the state as *fragmented* or as interacting sets of *second-level institutions*², we were able to show that oil states institutional scaffolding was as complex as the set of contradictory outputs it generated; this despite its reliance on a single source of economic revenues. Far from a monolithic view, of a “weak” state implementing and reproducing the effects of the Dutch disease, we displayed a dual, uncoordinated structure generating a set of mixed incentives trailing a complex economic structure standing on long-term processes of specialization and even longer processes of selection. This interaction between reasonable agents within a complex structure and a specialized – yet multipolar – business structure delivers a new and dynamic theorization of the oil-state. In policy terms, our view understands the eventual economic underperformance, commonplace in oil-driven economies, as the result of classical problems of incoordination between states and economic actors. These, we contend, are better understood by the literature on industrial policy³.

¹ CORONIL F., *The Magical State*, *op. cit.* ; KARL T.L., *The Paradox of Plenty*, *op. cit.*

² LORRAIN D., « Éditorial », *op. cit.* ; KING D. et R.C. LIEBERMAN, « Ironies of State Building », *op. cit.* ; KING D. et P.L. GALES, « Sociologie de l'État en recomposition », *op. cit.* ; GENSBURGER S., « Contributions historiennes au renouveau de la sociologie de l'État Regards croisés franco-américains », *op. cit.* ; HIBOU B., « Introduction. La bureaucratisation néolibérale, ou la domination et le redéploiement de l'État dans le monde contemporain », *La bureaucratisation néolibérale*, Paris, La découverte, coll.« Recherches », 2013, p. 7-20.

³ EVANS P.B., *Embedded Autonomy*, *op. cit.* ; STIGLITZ J.E., J.Y. LIN, et C. MONGA, « Introduction: The Rejuvenation of Industrial Policy », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

7.2.2.2. *Embedding industrial policy*

Secondly, it adds to the literature on state's economic intervention in Latin America¹. Resting on incipient works on interlock directorates in the region², we were able to show that the Venezuelan economic structure was built on poles of specialization. These, coupled companies' assets with the personal characteristics of the agents it promoted. Thus, we showed that state's effects did not affect the economic structure evenly. And therefore that economic policies' particularistic effects, were not necessarily produced by a loosely defined, crony-capitalism. Understanding the structure of the business elites demystified the presumptively superior power that interpersonal relations³ were supposed to play in the Venezuelan economy. "Groups" emerged out of a space of characteristics, which drove the strategies of the business elites. As social structures mediate states' incentives, future research should embed the effects of industrial policy within the social structures in which these are being evaluated.

7.3. Methodological inroads: superposing spaces of characteristics.

7.3.1. The qualitative studies of the economic elites

¹ CORRALES J., *Presidents Without Parties*, *op. cit.* ; SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.* ; KURTZ M.J. et S.M. BROOKS, « Embedding Neoliberal Reform in Latin America », *op. cit.* ; SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

² SANTOS R.L. et A.D.M. DA SILVEIRA, « Board interlocking in Brazil: Director participation in multiple companies and its effect on the value of firms », *op. cit.* ; CÁRDENAS J., « Are Latin America's corporate elites transnationally interconnected? A network analysis of interlocking directorates », *op. cit.*

³ For a non-exhaustive list of books insisting on the importance of personal relations for understanding economic processes see: USEEM M., *Investor capitalism: how money managers are changing the face of corporate America*, New York and London, Basic Books, 1999 ; DEVILLE L. et M. OUBENAL, « Legitimizing an ambiguous financial innovation: The case of Exchange-Traded Funds in France », R. HUAULT (dir.), *Finance: The Discreet Regulator*, Springer, 2012, p. 212-232 ; MIZRUCHI M.S., *The Fracturing of the American Corporate Elite*, Boston, Harvard University Press, 2013 ; FRANÇOIS P. et C. LEMERCIER, « Des financiarisations en contrepoint: Finances et financiers dans les conseils d'administration du SBF 120 (1956-2009) », Université de Nanterre, 2014.

Lastly, this dissertation proposed a methodological inroad that we believe adds to two types of works. The first type pertains to studies on elites using qualitative methods¹, the second is the types of capitalism approach².

First, regarding qualitative studies on the economic elites, our use of classificatory techniques using cluster analysis³ on spaces of characteristics proved to be extremely useful to correlate working hypotheses relying on a rather small sample. This has a wide range of applications. Career analyses⁴ usually argue that specific careers contribute to given outputs. Our methodological insight works as a complementary tool for validating results. On the other hand, our visualization techniques can be used to justify or clarify the selection of a qualitative sample. Finally, our definition of strategy is extremely useful for structural works that still rely on limited proxies for defining economic outputs with one characteristic, such as gross revenue⁵ for instance. Our aggregated definition of strategy, we argue, allows for much more complexity.

7.3.2. Varieties of capitalism

Secondly, we believe that studies on the varieties of capitalism can be modestly improved by our methodology. For instance, our use of a multiple correspondence analysis for characterizing the Venezuelan companies in our set, delivered a similar result to that of previous analyses on Latin America⁶. We also found that there were three types of companies: family groups, multinational corporations and SOEs. However, our analysis also showed that these were not deterministic

¹ PINÇON M. et M. PINÇON-CHARLOT, « Pratiques d'enquête dans l'aristocratie et la grande bourgeoisie: distance sociale et conditions spécifiques de l'entretien semi-directif », *op. cit.* ; HERTZ R. et J.B. IMBER (dir.), *Studying Elites Using Qualitative Methods*, *op. cit.* ; COHEN S. (dir.), *L'art d'interviewer les dirigeants*, *op. cit.* ; LAURENS S., « "Pourquoi" et "comment" poser les questions qui fâchent? », *op. cit.* ; SCHNEIDER C.J. et L.L.M. AGUIAR (dir.), *Researching Amongst Elites*, *op. cit.*

² HALL P.A. et D. SOSKICE, *Varieties of Capitalism*, *op. cit.* ; SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.* ; HALL P.A., « Varieties of Capitalism », *Emerging Trends in the Social and Behavioral Sciences*, John Wiley & Sons, Inc., 2015, p.

³ LE ROUX B. et H. ROUANET, *Multiple Correspondence Analysis*, *op. cit.* ; GABADINHO, ALEXIS, RITSCHARD, GILBERT, MUELLER, NICOLAS SÉVERIN, et STUDER, MATTHIAS, « Analyzing and Visualizing State Sequences in R with TraMineR », *op. cit.*

⁴ GENIEYS W. et P. HASSENTEUFEL, « Entre les politiques publiques et la politique: l'émergence d'une «élite du Welfare»? », *Revue française des affaires sociales*, 2001, n° 4, p. 41-50 ; DEZALAY Y. et B.G. GARTH, *The Internationalization of Palace Wars*, *op. cit.* ; DEZALAY Y. et B.G. GARTH, *Asian legal revivals: Lawyers in the shadow of empire*, *op. cit.*

⁵ PENFOLD-BECERRA M. et R. VAINRUB (dir.), *Estrategias en tiempos de turbulencia*, *op. cit.*

⁶ SCHNEIDER B.R., « Hierarchical Market Economies and Varieties of Capitalism in Latin America », *op. cit.*

groups of analysis, but rather poles of positions that constitute spaces of conditional probability. Furthermore, our definition of strategies as a superposition of economic actions showed that these constituted nuclei, around which similarity of behavior tolerated for a range of differences. With our approach, multinationals do not “behave in such, and such a way,” but rather the behavior of multinational corporations tends to be associated with “such and such behavior”. Our view contributes to a probabilistic appraisal of the varieties of capitalism approach.

7.4. New Roads for research

7.4.1. The complex nature of the Venezuelan state

Closing this conclusion, we believe that our work opened a series of untapped topics that we think would be interesting for complementing the preliminary conclusions reached by our dissertation. First, a sectoral analysis of the state’s economic policy in Venezuela would greatly clarify what we told here. Specifically, we believe that it would be interesting to delve into the zigzagging oil-policy conducted under Hugo Chávez with particular attention, to the process of nationalization and re-privatization of the oil-industry during his tenure. Continuing in the energy sector, we believe that a closer look at the shifts in the electric sector in Venezuela would show the inner workings of the chavista public management; and one of its more acute failures.

A second topic of interest would be the study of the strategies and the personnel ruling over the SOE’s under *chavismo*. Under this umbrella of topics, a comparison of the productive and subsidized public companies would precise our appraisal of chavist economic policy. Relating to the renewal of the personnel in higher public economic positions, a study of the military in the economy, could contribute to demystify their overall hold over the public economic sector¹.

Finally, we believe that a study of the public banking sector would clarify the extent of the use of parallel funding by *chavismo* in power. Despite having increased its presence in the banking sector from 2009 onwards, Chávez, already increased the use of obligatory lending portfolios as a means of financing public policy in the country.

¹ We believe, that, at least at a preliminary stage this work can be done using only publicly available information.

Regarding topics that relate more to the private sector, we believe that an in depth study of shopping malls in Venezuela would reveal the continuity of the effects of the liberalization reforms during the Chávez era. Similarly, the consolidation of the regional bourgeoisies (in the Bolivar State, the Apure State and the Zulia State, for instance) under socialist rule can also make the case for continuity.

In short, we believe that without delving into studies of corruption, an appraisal of the Venezuelan economy and of its economic actors, will display the contradictions and complexities of the oil-state's economic policies under *chavist* rule. The disastrous economic result of Maduro's policy-making should largely influence future works on Venezuela. The cataclysmic proportions of his shortcomings – easily attributable to an oil-driven curse – will once more allow his critics to propose simplistic answers on the origin of the fallout. We should hope to convince future researchers on the complex nature of the Venezuelan state, and on its plural business sector. This stems from the conviction that economic policy-making will repeat the mistakes of the past if it insists in neglecting the existence of the Venezuelan private sector; one that we have no intention to defend; one that we merely want to bring to the limelight.

7.4.2. A comparative study of industrial policy in uncoordinated states

The intentions of this dissertation, was however, predominantly academic. We believe that our model of an uncoordinated state generating mixed-incentives, should prove fruitful for comparative research. Using a similar set of methods, we would first need to demonstrate that oil-state are best understood as uncoordinated states. Because of the particular characteristics of the mining industry – capital incentive and requiring up-to-date technology –, oil states are particularly receptive to the influence of extremely specialized industries and tend to adapt to their needs. This set of incentives segments the state structure. Furthermore, the lack of a strong civil service adds incoordination to this segmentation. The institutions in oil states did not build autonomously from private interests. This model differs from that of the idealized European states. A comparative perspective should enrich the Europe-centric traditional model of the state. And, therefore reveal instances of such non-autonomous states. This endeavor would be feasible by comparing them with a second category that we expect to have such states: countries stuck in the middle-income trap.

A second step in this research should lead us to show how these types of uncoordinated states, incentivize business elites – and their companies, and to what consequences. If concluded, these works should complicate our understanding of state intervention in developing countries, and lead us to reconsider the effects of industrial policy in such underperforming economies¹. In the midst of this last slump in prices, and as oil-countries wish to reduce their dependency on oil once more², these questions will prove essential for developing future policies and – most importantly – research projects on industrial policy.

¹ SCHNEIDER B.R., *Designing Industrial Policy in Latin America*, *op. cit.*

² KERR S., « Saudi Arabia pledges economic overhaul to end ‘addiction to oil’ », *Financial Times*, 25/04/2016 p.

Annex

Annex1: Codes for R

Education sequence analysis

```
#open education trajectories
Ed.14112014 <- read.csv("~/Projet Elites/Doctorat/Escritos/These/Partie 2 Carieres/base/Bio/Ed 14112014.csv",
sep=";")
#load TraMineR library
library("TraMineR")

#setting the data set

ed.seq <- seqdef(Ed.14112014,2:31,xstep=12)
costs <- seqsubm(ed.seq, method="TRATE")
ed.om <- seqdist(ed.seq, method="OM", indel = 1, sm=costs)

#Individual sequence lines
seqIplot(ed.seq, border = NA, withlegend = "right")

#other graphs

seqdplot(ed.seq, border = NA) #all trajectories
seqHtplot(ed.seq)#entropy index
seqIplot(ed.seq, border = NA, withlegend = "right",tlim = 1:39) # Individual sequence lines
seqIplot(ed.seq, border = NA, withlegend = "right") # Individual sequence lines
seqfplot(ed.seq, border = NA, withlegend = "right", tlim = 1:39) # Individual sequence lines
seqmsplot(ed.seq, border = NA, withlegend = "right") #modal category by period
seqmtplot(ed.seq, border = NA, withlegend = "right") #average time in each category
seqpcplot(ed.seq, border = NA, withlegend = "right") #graph of distinctive states
seqrplot(ed.seq, border = NA) # graph of distinctive states

#cluster 5, setting parameters for creating graphs
library("cluster")
clust.ed <- agnes(ed.om, diss = TRUE, method = "ward")
ed.c15 <- cutree(clust.ed, k=5)
c15.lab <- factor(ed.c15, labels = paste("Education", 1:5))

#same graphs than above, by cluster

seqdplot(ed.seq, group = c15.lab, border = NA)
seqfplot(ed.seq, group = c15.lab, border = NA, tlim = 1:39, cex.lab=.85)
seqmtplot(ed.seq, group = c15.lab, ylim = c(0,20))
seqrplot(ed.seq, group = c15.lab, dist.matrix = ed.om, trep = 0.35, border = NA, cex.lab=.85)
seqpcplot(ed.seq, group = c15.lab, border = NA, withlegend = "right", lwd = 2)
```

Profession sequence analysis

#open education trajectories

```
Prof <- read.csv("~/Projet Elites/Doctorat/Escritos/These/Partie 2 Carieres/base/Bio/Prof 19112014.csv", sep=";",  
na.strings = "0", fill= TRUE)
```

#load TraMineR library

```
library("TraMineR")
```

#setting the data set

```
prof.seq <- seqdef(Prof,2:72,xstep=12)  
costs <- seqsubm(prof.seq, method="TRATE")  
prof.om <- seqdist(prof.seq, method="OM", indel = 1, sm=costs)
```

#Individual sequence lines

```
seqIplot(prof.seq, border = NA, withlegend = "right") #lineas de secuencias individuales
```

#other graphs

```
seqdplot(prof.seq, border = NA)  
seqHtplot(prof.seq)  
seqdplot(prof.seq, border = NA)  
seqIplot(prof.seq, border = NA, withlegend = "right", tlim = 1:39)  
seqIplot(prof.seq, border = NA, withlegend = "right")  
seqfplot(prof.seq, border = NA, withlegend = "right", tlim = 1:39)  
seqmsplot(prof.seq, border = NA, withlegend = "right")  
seqmtplot(prof.seq, border = NA, withlegend = "right")  
seqpcplot(prof.seq, border = NA, withlegend = "right")  
seqrplot(prof.seq, border = NA)
```

#clusters, 4, setting parameters for creating graphs

```
library("cluster")  
clust.prof <- agnes(prof.om, diss = TRUE, method = "ward")  
plot(clust.prof, which.plots = 2, labels = FALSE) #paticas : el clust.prof sale del agnes
```

```
prof.c14 <- cutree(clust.prof, k=4)  
c14p.lab <- factor(prof.c14, labels = paste("Professions", 1:4))
```

#same graphs than above

```
seqdplot(prof.seq, group = c14p.lab, border = NA)  
seqfplot(prof.seq, group = c14p.lab, border = NA, withlegend = "right", tlim = 1:39) #lineas de secuencias individuales  
seqrplot(prof.seq, group = c14p.lab, dist.matrix = prof.om, trep = 0.35, border = NA)  
seqmtplot(prof.seq, group = c14p.lab, ylim = c(0,30))  
seqpcplot(prof.seq, border = NA, group = c14p.lab, withlegend = "right", lwd = 2) #lineas de secuencias individuales
```

Network for linking educational clusters and professional clusters (with excel)

1. Create a matrix with agents names in the first column and their education and professional clusters on the second and third column
2. Export to excel
3. Order names alphabetically, then compare if names match (if function in excel)
4. Change clusters by numbers (if this hadn't been the case eg. Cluster 1 by 1)
5. Result: table in which first column is names, second column is education cluster, third column is professional clusters
6. Concatenate the second and third column and build a histogram to know the width of the arrows.
7. Then using that histogram build a square network matrix. (Trick: the direction of the arrow will go on the side of the diagonal where the number is. It is only a presentation method.
8. Load that matrix in Ucinet or Pajek
9. Draw the graph in NetDraw
10. Color it by attributes (education of professional cluster)
11. Set the width of the lines to show the number of persons going from education to professions

Calculating binary clusters

```
#open data
t<- read.csv("C:/Users/eduardo.riosludena/Documents/Projet Elites/Doctorat/Escritos/These/Partie 3
Strategie/Prueba R/test estrategia.csv",header = TRUE, sep=";")

#naming the rows in the data set
a<- t[,-1]
rownames (a)=t[,1]
b<-as.matrix(a)

#open cluster library

library("cluster")

#Create hierarchical cluster of binary vector
clust<- dist(b, method = "binary", diag = FALSE, upper = FALSE, p = 2)
hclust <-hclust(clust,method="ward.D",members=NULL)
plot(hclust,main = "Group Dendogram")

#fixing agents by clusters

clust3<-cutree(hclust, k=3)
hist(clust3)
clust3
bueno3<-as.matrix(clust3)
```

Finally we used a dynamic table in excell to characterize clusters.

Annex2: for chapter 3

Illustrative Careers

Interview with Cia: The public-company manager

The second state employee is Cia. His father was a Corsican law student in France, but before the Second World War, he traveled to Venezuela to deal with some family businesses. During his time in the country, the war started in Europe. Some of his brothers were killed by the Vichy regime, and he decided to stay on in Venezuela. He started working for the Creole (a subsidiary of the Standard Oil of New Jersey) in eastern Venezuela where he met Cia's mother. By the time his elder son was old enough for high school, they moved to Caracas.

Cia attended a prestigious public school in the center of Caracas. He studied chemical engineering in a public university in Caracas from 1964 to 1969. He then started teaching at that university until 1974 when he started a PhD in London. During his entire academic career, he was a militant in left wing movements.

In 1982, a former professor offered him a position in the state's plastics company where he stayed for 5 years. He then moved to the firm responsible for buying materials for the national oil holding. In 1988, he spent a year in the international headquarters of the state holding in Huston. By 1989, he returned to the same company in a mid-level management position. From 1993, he started working with a group of faithful chavists in the Garibaldi group¹. The coordinator was Dr. Jorge Giordani, who would become one of the most important economic actors of Chavez cabinet. In 1996, Cia signed a pro-Chávez manifesto. In consequence, he was fired from the national oil company. He was hired by a German group. This job helped him "stay alive" and "feed his family". One of Chavez's first political actions as president was to seize political control over the national oil company. Cia served as one of the first chavist presidents of the company. During his presidency oil prices started to increase (from 7\$/barrel to 14\$/barrel). Although Cia finally distanced himself from the government, he never fully bonded with the opposition and is still in contact with the chavist's high-ranking officers. He now works as a consultant for oil companies.

¹ The Garibaldi group was a policy effort conducted by early chavistas. They interviewed experts in several sectors of the economy. The end result was the first programmatic effort of Chavism. Transcripts of this meetings are highly confidential.

Careers in the energy sector, links with the state.

Interview with Vic: the Venezuelan oil-executive

Vic's father was a "doctor in Physical Sciences and mathematics"¹. He worked for construction companies during the Venezuelan dictatorship that lasted from 1948 to 1958 and then was appointed head engineer for the building of the international airport at Maiquetía. His mother was a housewife and only had a primary education². He studied in an upper-status private high school in Caracas and was accepted in a public university in the Capital. During his first year, president Caldera (in office at that time) closed the university³. As a result, he went on to study marketing in a technical institute for two years. He then received a scholarship from the government⁴ to study oil marketing in the United States. He used it to finish his bachelor degree and to obtain a MBA in Texas.

Vic returned to Venezuela in 1975. He worked as a business manager (Assistant to the executive director) for an important businessman in Venezuela. He was in charge of the commercial and industrial branch of the business for 12 years. When the executive director in question died, he was hired in an executive position at one of the most important companies in the country (in the metal working sector). In 1989, he started working for a "Jewish businessmen" as the general director of his tubing company for the oil industry. Three years later the company decided to stop producing in the country and became an importer. Finally, in 1994 after some talks with the president of a seismographic company he was hired in a high executive position. That company became the first national private company drilling oil wells in the country in 1999. He now occupies the position of financial vice-president. He likes tennis and goes to a very exclusive club.

Interview with Lea: the Venezuelan oil executive part 2

¹ That was the university title delivered to engineers in 1950's Venezuela.

² When no mention is made on the mother it is because the interviewee did not enter into much detail on her.

³ During the last years of the guerilla movement, Caldera close the only public university in Caracas at that time because it was allegedly a stronghold for the Guerilla.

⁴ In the 1970's Carlos Andrés Pérez created the scholarship program Fundayacucho. This scholarship helped students studying abroad. They were forced to come back to the country or pay the equivalent of their scholarship. Although this was almost never enforced.

Lea was born in 1966. His father was an anthropologist and his mother was a schoolteacher. His father also had important administrative functions in a University in western Venezuela. He belonged to the national academy of history and of the Bolivarian academy. He was also hired for diplomatic missions to Colombia.

Lea studied in a private university in western Venezuela. He graduated as a lawyer at a religious private university in the same State. He went to Caracas for his master's degree. There he specialized in tax law. Subsequently he was hired at two different and renowned law firms in Venezuela. There he passed the bar exam for the supreme court as a tax lawyer; a "very important position" he told us. For this achievement and because of his knowledge of tax law, an international oil company hired him to work with their legal services. He helped them win bids for the exploration of marginal oil fields. He was then charged of reopening corporative offices in the West of the country. From there he worked as director of human resources and director of external communications. He also opened an office of that company in eastern Venezuela where the company had won bids for gas exploration. He was first promoted as corporative director¹ and head of the sustainable development program. Then he was promoted once more as a vice president for corporate affairs. Conjointly to his corporate career, he has taught in different universities. He is also a member of the Huntington foundation of Venezuela. He is now the vice president for corporate affairs of an international oil company in Venezuela. He is also on the board of directors of a State/Private oil-consortium. He goes to the gym and attends one of the most exclusive social clubs in western Venezuela.

Interview with Fad: the small business owner

Fad is the son of a Portuguese shopkeeper in Venezuela. He was born in 1954 in Portugal. He came to Venezuela with his parents in his youth. He studied in a public secondary high school before studying chemistry in a low-level private university. He then obtained a Master's degree in engineering in a lower class, private university. He founded his company after leaving the University. In the 1990's, he headed a company of chemical products. His firm was small and he almost went bankrupt when the loan rates exploded during the "abertura"². He was, however, able

¹ In Venezuela a director is the previous step before occupying corporate positions.

² In the 1990's as a part of the neoliberal package, loans were liberalized; they previously were at a fixed rate. This deregulation affected several small and medium companies indebted in bolívares. The president of a small business

to survive that complicated decade. During Chávez's years, his friends started signing import contracts with the government. He opened a business with one of them in 2007. This firm manufactures a machine that transforms water vapor into potable water. For confidentiality matters, we prefer not to further specify what else the company does. This connection opened the doors for him to a chavist business association. He has since been an associate of the company.

Interview with Hell: the fallen heir

The first of them is Hell. He is the son of a long line of Caracas' merchants. His family has had connections with political power since at least the 1860's, and his father was an importer and distributor for an American photographic company.

Hell first studied in a high-status private high school in Caracas, but subsequently finished it in the United States. He was then accepted at an Ivy League University where he studied for his undergraduate degree. Out of the university, he spent a year of specialization in a company at Rochester, New York. He then came back to work for his father's company. His employees were reticent to see "the boss' son coming into the company". He was quickly accepted, however. His year of training gave him an in-depth "knowledge of the business". He said he used it to impose himself over other – less qualified – workers. In the 1970's, he became a board member of the most important bank in the country. He remained there until 1992. By 1973 the American brand, which he distributed, begun selling its own products in the country, and he had to "start all-over" in 1975. He opened a store with seven employees where he distributed Japanese photographic equipment that grew from the 1970's until the 1990's.

His business started declining in the 2000's for two motives. The first one was the "academic reasons we all know". By this euphemism, he meant the economic process headed by Hugo Chávez. The second was "the complete transformation of the sector of photography". Digital photography affected his core business. During his career, he also studied an MBA at an Ivy League school. He entered into the business association career but did not pass the vice-presidency of his sectorial

association delivered a similar account. In the 1990 exchange rates were extremely high. This affected the financial balance of a number of companies. Another businessmen said in an interview that these alterations of the exchange rate and the successive devaluations plunged his family company in financial stress for almost 20 years counting from 1983.

association. He has been a board member of three organizations: a major retailer, an insurance group and the most important bank in the country.

Interview with Blo: the recuperating heir

As with most of the heirs in this sub sample, he studied in a high-status, Caracas' private high school before undertaking a university degree in the United States. There, he graduated in engineering. In 1979, he came back to work for his grandfathers' company. He started working for the sales department and soon realized that the company was in financial distress. His strategy differed from his grandfather's: he wanted to repay the debts by selling inventories. His relative forbade this. Consequently, he embarked on a twostep strategy. First, he overruled his grandfathers' command. This "coup-d'état" gave the company some financial relief. He subsequently asked his maternal grandmother for a loan to buy the company from his paternal grandfather. The company was in a bad financial situation and consequently, his grandfather accepted the deal. By his 25th birthday, he became president of the family's company. However, as he – rightly – told us he "did not inherit". He simply used his personal connections to buy a company. Here it is possible to criticize Blo's claim: certainly few of our readers have a grandmother with enough capital to buy a 3000-employee company. Albeit the advantage of dynasty influence in this history; such criticisms only highlight our point about the importance of personal connections.

Beginning in the 1980's, Blo's road to success was not an easy one. He first thought it would take him 5 years to repay his debts, but then came the 1983 devaluation (called Viernes Negro -black Friday: the devaluation of the bolivar/dollar caused the exchange rate to go overnight from 4.30 bs/\$ to 7.50 s/\$). His company had contracted debts in dollars. His debt to revenue ratio consequently increased. He moved all of his debt to bolivars. In the 1990's, the interest rates exploded and so his company found itself in financial distress once more. The hike in interest rates that followed the 1994 financial crisis forced him into default. In the year 2000, he sold some of his real-estate assets and was finally able to repay his debts. Then with Hugo Chávez' government he was able consolidated his position. He now sits in the board of several other companies and writes political opinion papers.

Blo's career is more complex than what it first appears. Although he had a "good last name", his business career was defined by other elements. First, he used his personal family connections to

access wealthy investors. Even having his own firm, he still had to fight for almost 20 years to pay off his debts. At the end of his journey, he owns a stable but medium-size firm.

Interview with Cos: an agribusiness manager

He is the son of a family with an agribusiness firm in a small state in northern Brazil. He studied his high-school in an institution nearby his family's lands. Then he studied at a federal university where he graduated as an agricultural engineer.

As he told us, he never used the formal knowledge he learned in the university. He first took over the family business in managerial functions. Then he got interested in international commerce. He was first hired by a company that worked with the importation and exportation of commodities. Then he thought he had to finish a two-year "academic MBA", but he did not even write his masters dissertation in a prestigious public university in Brazil. By the end of his course, he was hired as a trainee career for a company that would soon be bought by an American multinational. Six years later, he was hired by an Argentinean group where he worked for four years. He then jumped to a German beauty-products company. Six years later, he was hired by a European consumer-goods conglomerate for a directorial position (line manager). Ten years after this employment, he was asked by the group to take over a CEO position in Venezuela.

He likes horse-related sports.

Observations

Beurk CO₂ Launch-event: marketing towards the state

The officers club of Caracas is located by the “procures” – literally the distinguished people – walkway. The Company Beurk CO₂ organized its products’ launch-event there. They announced what there were selling on a projection screen in the Boyacá saloon: a machine that transformed water vapor into potable water. Boyacá was a battle of the independence war. Won by Bolívar, it secured New Grenade’s independence. We were invited to the event by the secretary of the chavist business association (Empreven; empresarios por Venezuela – businessmen for Venezuela) that was promoting the machine sold by the company. There, we were to introduce ourselves formally to Mr. Uzcátegui – Empreven’s president and former moneyman of a social democrat political strongman during the 1990’s – with whom we would conduct an interview the following week.

The secretary had warned us that the event would start at nine. We got there on time, hoping that presentations would begin with some delay. We sat by one of the cameras of the public-owned TV station, in one of the almost all-empty hundred plastic chairs covered in cloth. However, once there we found out that the promotional launch was not due for another hour. Therefore, we started to conduct our principal mission, which was to introduce ourselves to Mr. Uzcátegui. We asked for him to the hired models that were installing the promotional products for the launch. They all called him Dr. Uzcátegui.

The third time we asked for him, the now installed models gave us a promotional plastic glass and a leaflet. They also said that “el Doctor” was in the cafeteria. We went looking for him. To get there we walked by the entrance of the Boyacá room to the swimming pool area where officers swam with their families under the city’s morning sun. At the back of the pool, there was a coffee stand. There we bought a *marrón* (coffee with milk) and waited for *el doctor* to appear. Standing on a high table, we overheard a conversation. Two businessmen (I had recognized Mr. Uzcátegui) were talking. *El doctor* was prep talking another men (I later understood he was the president of the Beurk CO₂ company, Urb in our account). *El doctor* asked Urb “how many direct jobs is your company going to create?” Urb who did not have the slightest clue, honestly replied, “I don’t know”. During this conversation, we were conveniently writing everything down as it happened. *El Doctor* answered back “this is very important! Say that you will generate 70 direct jobs and 200

indirect. Also say that you are making an 11 billion bolivar investment (around 1\$ and 2\$ million dollars, he was referring to the non-devaluated bolivar). That will be perfect”.

My spying abilities came to a halt when Urb and Mr. Uzcátegui saw me. We went and introduced ourselves. We told him that we were the one that was asking for an interview. He recognized us and took our picture to send it to her secretary so that she would recognize us when we met. We returned to the Boyacá room and sat at the same place. Next to us there was a man shouting into his cellphone that he needed several pairs of left foot boots. He had no more stock. From that, we assumed he made deals with the military.

At 9’45 people with suits and ties begun to crowd the room. At a quarter past ten, a man introduced the event. He saluted members of chavists business associations, executives of public banks, chavist representatives, embassies’ economic attachés and a former Vice-President, then a famous journalist and a chavist gray eminence. Then came Urb turn to speak. He presented the company to the crowd. He ended his discourse with enthusiastic applause when he mentioned that his company would generate 70 direct and 200 indirect jobs.

Some days later when interviewing the chief engineer of Beurk CO₂ we asked him why they had decided to launch the product in the officers’ club. He first dodged the question by answering that there was lots of parking space there. He then honestly replied that if you wanted to make business with the public sector, that it was the usual place to go. The president of a major multinational company that trades food products corroborated this information. The government regularly held economic events in the officers clubs. There was a way to do business with the state. People that wanted to secure contracts had to know the codes.

I finally never got to talk with Dr. Uzcátegui. And Empreven soon became an empty shell. Fedeindustria (Federación de industriales de Venezuela – Venezuela federation of small industries) replaced it as the accredited chavist business association. But we ended having an in-depth knowledge on Beurk CO₂ which proved to be much more informative than an interview with *el doctor*.

Scuzzi, assistant to the presidency of business representatives.

Scuzzi is the fictional name of a secretary that works for leaders in the business associations in Venezuela. Her career is atypical, but we include it because she sheds light over an economic world that flocks private selective primary schools, business associations and economic groups. We met

her for the first time while negotiating an interview with the president of an embarking business association. We wanted to ask her for more precisions on the day-to-day operations in the association, and for this reason we conducted a full interview with her.

She is the daughter of a Venezuelan doctor of Italian descent, as she reminded us. She first studied in a private university. She obtained a diploma in education. She then worked for a “bilingual private institution in Caracas” as a first grade teacher. While working, she finished a masters in “industrial relations” in a high-standard private university. She then obtained a PhD in finance in the same university. For medical reasons she had to quit teaching. While applying for new jobs, a professional recruiter directed her to a position as assistant to the presidency in a major business association. They had asked for a bilingual person, specialized in “industrial relations” and someone who had a many contacts. She was selected because of her comprehension of the Venezuelan business world. As she told us, It was “very amusing” that her new colleagues were her ex-alumni’s fathers. As an actor in the social world, she presents an interesting perspective from which to observe this elite world that connects private schools with business representation. She has, since our first meeting, specialized in assisting business leaders. We met her again two years later as she was working for the executive of a major group. He is also an extremely important leader in the business association and in tracks to the Fedecamaras’ presidency. He told us he “stole her” from Fedecamaras. By following the trail of her atypical career, we had access to this economic elite world where agents can go from private schools to business associations and major corporations.

The photographic evidence of a photographer’s social connections.

At the end of an interview with the last heir of a long line of Caracas merchants of German descent, we asked about the pictures in his office. His answer sheds light on the complex relationship of proximity that economic elites sustain with political power. Our own background in political science drew our attention to a photograph in which he was holding hands with one of the opposition’s top leaders, then governor of the second most economically important state in Venezuela.

We asked the merchant if he knew this man. He told us that they had known each other since he had been president of the short-lived 1999 parliament¹. The merchant had introduced the politician to the Japanese ambassador in Venezuela. Hell considered that he had done a “good job, overall”, but he had found politics to be a very tough business, one in which he would never participate. However, he then went on to describe for us his extremely close relations with former economic agents that were affiliated with state power.

He took us on a tour of the photographs in his office. On one wall there was a letter written from New York by a former Venezuelan president from the 1870’s, addressed to one of Hell’s ancestors. In this letter, the president was asking Hell’s forebear for a loan, and Hell then recalled an anecdote from his youth: his father had a personal relationship with a son of Juan Vicente Gómez, the Venezuelan dictator from 1908 to 1935. He recalled having shaken hands with the son in the socially prestigious Club Paraiso (Paraiso Club) which was located at what is today a lower middle class neighborhood. His father “had to be” friends with him “because that was the way to do business back then”.

On his wall was also a photograph of the original Venezuelan Bank (Banco de Venezuela) stockholders in 1890. As an heir, Hell sat at the board of the bank for twenty years until the 1990’s when it was bought from its original owners. Next to that picture, was a photograph of him with Mr. Travieso who was a well-known Caracas lawyer. We asked him if by knowing Mr. Travieso he also had known “Dr. Tinoco”. He was an associate in the firm they co-owned. Hell told us that before “engaging in politics” Pedro Tinoco was the company’s lawyer.

Pedro Tinoco, who is the son of the last minister of finance of Juan Vicente Gómez, also had an impressive career in the state economic sector. Tinoco was president of the banking association in his thirties, minister of finance for the Christian-Democratic president Rafael Caldera (in his first term, 1969-1974; his second term was from 1994 to 1999). He then worked for Carlos Andrés Pérez, the Social-Democrat president for whom he served as a plenipotentiary minister for economic matters during the oil boom. With the help of the Pérez government (1974-79) and the Rothschild group he developed the Italian Bank for Latin America (Banco latino). It would become the most important bank in terms of assets in the 1990’s. This was known as the “bank of the twelve

¹Shortly after Chávez won the presidency he called for a constitutional assembly. This assembly dissolved the previous parliament elected in 1998.

apostles”¹. The phrase comes from a book by the same name by Pedro Duno²; it refers to a group of businessmen that accompanied the Perez presidency. They were thought to epitomize the oil-rich state-sponsored elites of the 1970’s boom. However, Dr. Tinoco then became the President of the Central Bank during the structural reform era in the 1990’s. He oversaw the liberalization of the exchange rate³. Hell was extremely close to some of the most important economic figures with links to the state in the Fourth Republic. This also translated into personal acquaintances with the political opposition figures in Venezuela. However, he claims to be as far away as possible from politics. Our first reaction is to denounce all this as hypocrisy, but, he defends himself in a way that permits us to analyze him differently.

We can understand his position by appreciating how economic elites become economically powerful. In his case, the superposition of his experience, both as president of a photographic equipment company and as board member of the most important bank of the country, meant he had a position in the economic world. This in turn translated into an active social life. In these activities, he dealt with ambassadors and politicians, businessmen and lawyers. This happened much in the same way that his father “had” to be friends with the dictator’s son, that is, he “had” to know Caracas’ who’s who. This was only a consequence of his position as a businessman. To state that the direction of the causality starts with his interactions “with the right crowd” fails to understand the true nature of an economic career in Venezuela, which is to say that that economic positions govern one’s social life.

¹Interview Aqu

² DUNO P., *Los doce apóstoles*, *op. cit.*

³ ZAPATA J.C., *Doctor Tinoco*, *op. cit.*

Additional information on the Venezuelan business sector.

1.1.1. Fedecamaras: The structure of Business associations in Venezuela

The Caracas Chamber of commerce – the first in Venezuelan history –, was founded in 1894. Then during the first half of the 20th century, several other sectorial and regional associations were created all over the country. By 1944, 17 state business associations and 7 sectorial business associations got together to found the Venezuelan Chamber of Commerce and Production, Fedecamaras¹. Fedecamaras is an entirely private organization. Its institutional structure resembles similar French organizations².

Fedecamaras' structure is a stratified association that unites private interests on regional and national levels. On the one hand, there is a hierarchy of regional – and local – business associations called the regional Fedecamaras. On the other hand, business gathers in “sectorial” business associations (for instance the societies for milk products or for transport). These associations then unite in encompassing business associations (for instance the milk products' group is represented, along with other producers, by the chamber of industries – CONINDUSTRIA – and the transport organization is represented, together with other services, by the general chamber of commerce – CONSECOMERCIO). CONINDUSTRIA, CONSECOMERCIO and FEDEAGRO have representatives from the sectorial as well as from the regional associations. These encompassing associations send representatives to Fedecamaras' board.

However, the structure is not completely pyramidal. There are 14 sectors represented in Fedecamaras's board³. For instance the oil interests and the transport organizations are simultaneously affiliated to CONSECOMERCIO and have a representative in Fedecamaras' board. The banking association is directly represented in Fedecamaras.

Finally, each association (local, regional, sectorial and generally similar groupings each has one vote during the Fedecamaras congress, which is held every two years. Its location varies. During a weekend of debates, an agenda is voted on, and its four leading figures (president, vice-president, treasurer and secretary) are elected through a uninominal process. A president's term is limited to two years. Usually the vice-president runs for president, and he is seldom defeated.

¹Fedecamaras web page <http://www.fedecamaras.org.ve/detalle.php?id=126> and bond

² Wool to see the structure of business representation in France. P265

³ Agriculture, banking, commerce, construction, energy, real estate, press, mining, cattle industry, telecommunications, transports, tourism and insurances. <http://www.fedecamaras.org.ve///detalle.php?id=122>

Fedecamaras has thusly a double pyramidal structure. This institutional structure channels the careers of business leaders in the country. To occupy leading positions in the business associations, an agent has to go from a sectorial or a regional association to an encompassing association before accessing Fedecamaras' board and finally its presidency.

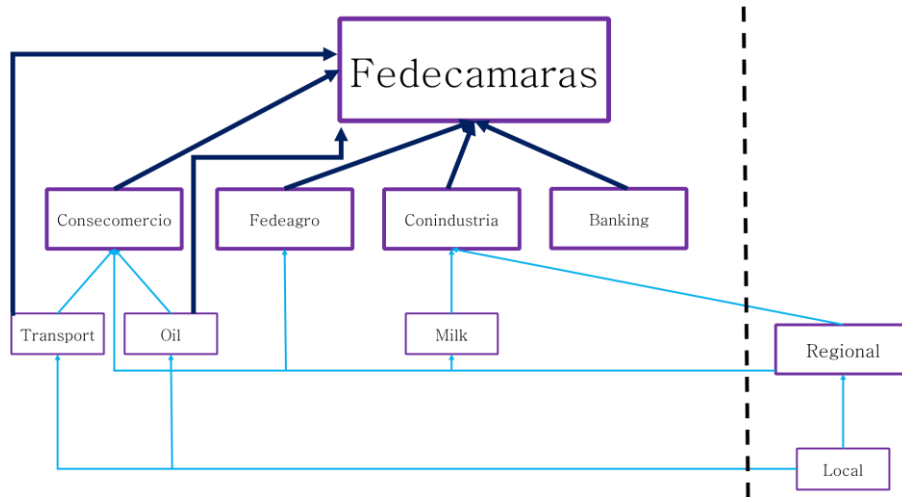


Diagram 1 Simplified Diagram of the business association Structure in Venezuela

Small Blue lines are business association leaders' possibility to seat in encompassing associations

Large dark blue lines are business leaders that seat on Fedecamaras's board.

The dotted line divides the "sectorial" association and the "regional" associations

Every organization has voting power in Fedecamaras annual meeting

Explanation: Diagram 4.1 helps us understand the complexity of the world of industrial and commercial business associations in Venezuela. Our schematic representation is simplified because in Zulia's oil association there are also people in the banking sector. There is a regional structure (right) and sectorial structure (left) that coincide in the larger ones (Consecomericio, Fedeagro, Conindustria, la asociación bancaria y la asociación petrolera). Furthermore the oil and transport organizations and are simultaneously affiliated to Fedecamaras and Consecomericio. Thus, it is a complex hierarchy with administrative shortcuts.

Hugo Chávez kept this institutional structure at arm's length ever since one of its presidents (Pedro Carmona Estanga) tried to overthrow him in 2002. Several of his predecessors had tried to control Fedecamaras', interestingly his strategy was extremely similar to theirs. Previous presidents have tried to do so by creating new associations. The first was Carlos Andrés Pérez. He sponsored the creation of Fedeindustria (Federation of middle-size industrial companies) in 1973. At the

beginning of Hugo Chávez' era, this association's president had ideological proximity with the Bolivarian revolution, and the same man had lead this group for twelve years until 2014.

The second major attempt to undermine Fedecámaras' power was also financed by Hugo Chávez. In 2009, he sponsored the creation of an association for small and medium companies, EMPREVEN (Empresarios por Venezuela, Businessmen for Venezuela). Its first and only president was Alejandro Uzcátegui, a former banker and financial coordinator for a social-democratic political figure in the 1990. By 2014, this association had disappeared.

In 2014, Maduro opened a dialogue with Fedecamaras, although negotiations did not produce immediate results. However, what has been said about how the public and private groups have no communication is exaggerated. As a leading figure in the business associations told us: "There has been more dialogue than what is publicly accepted"¹. Further proving this claim, we had firsthand accounts regarding the existence of Chávez/Fedecamaras lines of dialogue. For example, during a nationalization process that became rapidly public, the presidency of the country asked for Fedecamaras' president intermediation. This was dealt with secretively.

Economic practices and the functionality of social distinction.

We have had several knowledgeable informants during our fieldworks. These came from different branches of the economy. We resorted to them in order to verify some of our working hypothesis and the validity of the information we received from interviews. We asked one of them to advise us on the validity of a question on the sports practiced by our interviewees. His answer was "if they tell you they play golf ask them for their par. Most just play for the whiskey". In golf, we got from that conversation, the par is the number of strokes required to complete a hole or a course. His remark pointed to the fact that most businessmen did not need to be proficient at golf. They just had to be invited to the game. They usually were invited because they were businessmen.

Economic elites practice a set of "exclusive" activities. They play golf, polo; they dine in expensive restaurants and live in expensive houses. However, it would be hasty to conclude on the functionality of these apparently exclusionary practices.

¹ Interview Rog

This qualitative data set has led us to posit that they are the result of a long-term acquaintance with the practices of business managers; and not the contrary. We gather this conclusion from an interview with state regulator of working class background. In the 1990's, he was asked to join a bank as a vice-president. This position opened him the gates of housing and car credits. Thusly he could afford to acquire real-estate assets as well as exclusive practices.

However, familiarity with exclusive practices – golf for instance – is not enough to become an economic elite. We were able to prove this, during a discussion in a taxi. We were heading with one of our informants to a reception for the economic affiliates of a European embassy. The house of the ambassador was located nearby one of the Caracas' golf courses. Our informant asked the taxi driver to drop us by the courses. The taxi said he knew where they were. He had been a caddie for most of his life. He knew several golf courses employees. They let him use the fields whenever they were empty.

The working class regulatory agent who became a banker could buy himself a social position of exclusive practices whereas the taxi driver that played exclusive social sports did not “belong”. From this, we gather that the most important elements of “distinction” are the ones that can be translated into positions of economic professional power. Power can buy someone practices. Good manner in table, do not make a business mogul.

In this regards Mills had a similar outlook. “The shape of the economy at the time of Carnegie's adolescence was more important to his chances for success than the fact that he had a practical mother. No matter how ‘ruthless’ Commodore Vanderbilt might have been, he would have accomplished little in appropriating railroads had the political system not been utterly corruptible. And suppose the Sherman Act had been enforced in such a way as to break up the legal buttress of the great corporation”¹.

Social proximity and individual difference

With our qualitative critique of the typical path approach, we are able to untangle a system of multiple individual life stories and social proximity.

¹ MILLS C.W., *The Power Elite*, op. cit., p. 97.

The social positions resulting from these superposed selections do not produce sociologically identical persons. These structures allow for the selection of multiple agents. For instance in the State economic sector Fid and Gag are two extremely different individuals. The first had an academic career in administrative positions while the other had a career in the financial sector, zigzagging between the private and the public sphere.

They have however several commonalities. When Chávez got to power, they both lived rapid social ascension. Both had important position in the State economic power. Their similarities appear further when we compare them to other executives. Both were sons of manual workers. Both went to second level high schools. Both went to public universities and lived a social elevation from this experience. Both were radical left wing militants and Chávez's supporters. Both occupied positions of power in the public sector they could have never dreamt of when Chávez won the presidential election. Most businessmen in this sample attended elite high-schools and were not politically affiliated; let alone to a left-wing party.

This world of similarities escapes first glance observation. However, it builds a universe of proximities that can result in common outputs. In this particular setting by defending the legitimacy of his position – in front of other businessmen – in a pure egotistic *homo economicus* ways, Gag would also be defending the validity of Fid's. Their semblance of legitimacy rests on their “practical” knowledge of the Venezuelan business sector. The social space in the Venezuelan economic world is built upon these struggles for the legitimate structure of legitimation.

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