

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

THE WALL STREET JOURNAL

WSJ.com

OPINION: THE AMERICAS | FEBRUARY 1, 2010, 2:28 P.M. ET

Chávez Drops the Democracy Mask

Venezuela's president promises 'radical measures.'

By MARY ANASTASIA O'GRADY



Hugo Chávez likes to say that Venezuela is a democracy and that a majority of the electorate supports him and his "21st Century Socialism." Or at least he used to make that claim. Last week the strongman gave up trying to maintain a democratic image.

Referring to nationwide civil protests—led by university students—he warned the country Thursday that if they "intensify" he is ready to take "radical measures."

Given that the Chávez government already expropriates property at will, jails political opponents, polices prices, controls foreign currency exchange, seizes media outlets and fires rubber bullets and tear gas at demonstrators, his threat to turn "radical" is chilling. Venezuelans have reason to fear martial law.

The Venezuelan economy is in a free fall and Mr. Chávez is in damage-control mode. One thing he can't afford is to let Venezuelans complain without consequences. Successful dictators, like Fidel Castro, make dissent a dangerous proposition, and if Mr. Chávez is to survive he knows he must do the same. His plan starts with carrots and ends with sticks.

To use carrots Mr. Chávez needs money, and that's why he announced a mega-devaluation of the *bolivar* on Jan. 8, taking it to an official rate of 4.3 *bolivars* to the dollar, from the previous 2.15. Importers of basic necessities (some foods and medicines) will still be able to buy dollars at 2.60, but for all other imported goods a dollar will now cost twice the prior rate. The net effect is that prices of "nonessential" imports doubled overnight.

This sounds like a raw deal, but not for the aspiring dictator. He has dollars because the state oil monopoly, PdVSA, is an exporter. Now when he sells those dollars he will get twice as many *bolivars* as he used to. Imagine what can be done with that gusher of funny money ahead of the Sept. 26 legislative elections. No need to worry about inflation either, according to Mr. Chávez. Businesses caught raising prices will be confiscated and turned over to the workers.

Students of *chavismo* will recognize that there's nothing new here. The revolution is built on transfers to the struggling underclass, thus creating the illusion among the poor that their Bolivarian messiah is going to make them better off.

But this perpetual motion machine is losing steam. "It is possible," one Venezuelan analyst told me, "to crunch the numbers and conclude that the 'E' class [the largest and poorest segment of society] has increased its *bolivar* income. But the quality of life for them has deteriorated greatly."

Exhibit A is the violent crime rate, which is the highest in the hemisphere. The poor are suffering this epidemic

disproportionately more than the rich because they aren't able to purchase personal security. Public transportation is also failing the working class.

Because of its oil, natural gas, hydro and thermal resources, Venezuela ought not have a day of worry about its power supply. But after 11 years of Mr. Chávez's "revolution" there is now rationing. Only Caracas has escaped rolling blackouts instituted last month, and that may not be for long.

Experts say that the main causes of the problem are poor planning for low water levels and poor maintenance at the Guri Dam, which generates the lion's share of the country's electricity. On the health-care front, the president himself declared last year that hospitals are in a state of emergency and that many of the small health clinics that he built and staffed with Cuban doctors have been abandoned.

Mr. Chávez's base is disillusioned, and now he is going to try to make it up to them with more devalued *bolivars*. But with the black-market rate stubbornly stuck above six to the dollar, it's clear that the government is not able to supply the market at 4.3.

In other words, the currency is even weaker than the new official rate reflects. This means that last year's official inflation rate of 25% is not about to be tamed.

Only two things can save Hugo. One would be a new dollar windfall of oil revenue. This is why he conducted auctions for oil concessions with foreign companies last week, even though in the past he has condemned them. Just in case that doesn't pan out, he's putting the finishing touches on his police state. Last week he closed the independent cable network, Radio Caracas Television, and five other channels.

His move provoked the student marches, which have been met by heavily armed National Guard troops with shields, rubber bullets and tear gas. Now Mr. Chávez says the marches are part of an effort to overthrow him and that he is ready to get radical.

With Castro as his role model, it's not hard to guess where he's headed, oil or no oil. It is also increasingly clear that the September elections, run by the Chávez-controlled electoral council, will not offer Venezuelans a chance to vote in change.

Write to O'Grady@wsj.com

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com