



# Populism, 21st-century socialism and corruption in Venezuela

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## Abstract

This article seeks to explore the relationship between populism, 21st-century socialism, and the emergence of what has been referred to as an '*estado delincuyente*' (criminal state), in the case of Venezuela. That is, a state structure permeated with transnational organized crime mafias in the executive and the judiciary, in the financial system, the prosecutor's office, the police, the armed forces, the prison system, state-owned companies, governorships, and city councils, among other state institutions. First, I review conceptual aspects of populism to understand how this served as the basis for creating the postulates of 21st-century socialism, which promoted the institutional destruction of Venezuelan democracy and created the conditions for the unbridled dissemination of state corruption. Second, emblematic cases of white-collar and blood crimes, nepotism and other corrupt activities are discussed to provide an idea of the magnitude of the issues that permeate the state apparatus. To conclude, I provide a critical summary of the consequences of this way of doing politics in contemporary Venezuela.

## Keywords

Chávez, *estado delincuyente*, maduro, neopatrimonialism, populism, Venezuela

Venezuela's renowned and controversial former president Hugo Chávez (1999–2013) was Latin America's most emblematic populist leader of recent times. During his mandate a strong emphasis on a personalist approach to power emerged and was exercised in Venezuela, due to his populist views, discourse and actions. This led to the ongoing erosion of institutional accountability mechanisms typical of liberal

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representative regimes. Populism was reinforced by a socialist-statist ideology that sought to build institutions of direct democracy as an alternative to liberal representative democracy. These institutions were of a collectivist type, and without political intermediations and lacking independence, crystallized into the structure of a *communal state*. Chávez's official discourse constantly disqualified the institutions that regulated the executive, labeling them as 'bourgeois' and/or 'oligarchic'. His successor, Nicolás Maduro, deepened this governing style, but lacking the charisma and the oil revenues his mentor enjoyed, accentuated the authoritarian and patrimonial tendencies already present in Chávez's governments. In this sense, Maduro has been governing, together with his relatives and close friends as well as with military colleagues of Chávez, outside the rule of law, making use of public goods for the benefit of his private interests. Under his rule, liberal democratic institutions have been utterly destroyed and the lack of institutional checks and balances has resulted in unprecedented levels of impunity and corruption cases.

To this strong repudiation of liberal representative politics, we must add Chávez's tendency to recruit, for state operations, staff members linked to him by ties of blood, loyalty and affection. This feature of his governing style contributed even more to the expansion of corruption, as well as to the penetration of criminal organizations in the state and the national territory. Since his death, his successor, Nicolás Maduro, together with his wife Cilia Flores, the military elite and civil allies who claim the right to govern in the name of the 'eternal commander', have formed clans and mafias engaged in different types of illicit activities. These mafias, in which relatives and close friends also participate, involve activities such as money laundering through companies such as Venezuela's own national company PDVSA, smuggling food, medicines and weapons, obtaining illegal profits from the currency exchange control system, and drug trafficking.

This article seeks to explore the relationship between populism, 21st-century socialism (as articulated in Venezuela), and the emergence of what some authors refer to as an '*estado delincuente*' (criminal state) (Tablante and Tarre Briceño, 2013). That is, a state structure permeated with transnational organized crime mafias in the executive and the judiciary, in the financial system, the prosecutor's office, the police, the armed forces, the prison system, state-owned companies, governorships, and city councils, among other state institutions. A number of complaints and investigations evidence this situation, as well as the sanctions imposed on civilians and military officials of the Maduro government from the European Union, the US Department of the Treasury and the governments of Canada, Spain and Switzerland, among others. Such sanctions are the result of long-term investigations into the criminal activities previously mentioned.

The article builds upon broader research on the origins and evolution of *Chavismo* in Venezuela.<sup>1</sup> Drawing on the socio-historical and socio-political frameworks established in previous works, in this article I review information from reliable sources to identify and systematize the types of corruption committed during Maduro's government. It is worth noting that, while there are difficulties in identifying reliable sources for this topic, the sources used in this article have been critically reviewed and cross-checked to determine their reliability.<sup>2</sup> Thus, in the first part of the article, I review conceptual aspects of populism to understand how this has served as the basis for creating the postulates of 21st-century socialism, which has promoted the institutional destruction of

Venezuelan democracy and created the conditions for the unbridled dissemination of state corruption. Second, emblematic cases of white-collar and blood crimes, nepotism and other corrupt activities are discussed to provide an idea of the magnitude of the issues that permeate the state apparatus. To conclude, I provide a critical summary of the consequences of this way of doing politics in contemporary Venezuela.

## Populism, charisma and neopatrimonialism

Populism has been considered a universal way of making politics attractive when there is a set of unmet demands and/or a critical situation in a society that produces high levels of uncertainty in the population (Laclau, 1995). Populism is consolidated through the figure of a charismatic leader who interprets the moment in terms of a Manichean discourse of good and bad, the guilty and the victims, oligarchs and *the people*. In populist processes those who are unsatisfied feel, identify, cohere and mobilize around a leader.<sup>3</sup> In that sense, populist discourse connects the often dispersed and unmet demands of the population, creating a political subject, *the people*, among those who share the ideas of the discourse. Laclau called this an *empty or floating signifier*, that is, concepts – or words – that are ambiguous enough to create the sense that individuals' particular complaints are included in the leader's speech.

Hugo Chávez's regime represents a paradigmatic case of populism becoming a dominant way of doing politics and charisma a way to exercise power. Chávez emerged in the 1998 electoral campaign as an outsider of politics and ruling elites in a context of acute crisis. He embodied certain attributes long admired among Venezuelans that provoked a *populist seduction* (De la Torre, 2000): he was a former military officer, racially mixed, from a humble background, with a provocative rhetoric, disrespectful and reckless (López Maya and Lander, 1999).

While he was president, Chávez rejected Venezuela's liberal representative democracy that served as a model for other countries in the region, but that had been weakened by the political elites' inability to overcome the ongoing global crisis of the 1980s.<sup>4</sup> True to the tendency of every charismatic leader, Chávez tended to criminalize his political opponents. Earlier in his discourse, he depicted the opposition leaders and/or parties as 'enemies' or 'traitors' and later, in his government's socialist phase, he referred to them in terms of 'bourgeois' and 'agents of imperialism'. Chávez also showed detachment vis-à-vis his own political parties. Through numerous elections, he sought political platforms that included organizations and popular movements, many of which were created from the state and directly overseen by him. Moreover, for its second government, his political party *Movimiento Quinta República* ('Fifth Republic Movement', MVR) was dissolved and the *Partido Socialista Unido de Venezuela* ('United Socialist Party of Venezuela', PSUV) was created instead. His contempt for mediated forms of politics led to an institutional framework centered on him as a charismatic leader. This is evident in the social programs he created (known as *misiones*) and a government-sponsored media strategy that revolved almost exclusively around his image and speeches.

Another feature of Chávez charismatic governing style was the ongoing erosion of the horizontal accountability mechanisms to his power. From the beginning of his mandate, he sought to control the judiciary to guarantee his hegemony in this institution by

increasing the number of magistrates (Levitsky and Ziblatt, 2018). Subsequently, he took control of the legislature in 2005, after the opposition parties withdrew from the parliamentary elections, alleging that electoral fraud was about to take place – allowing him to obtain almost 100 percent control of the parliament. As a result, Chávez was able to appoint the authorities of the National Electoral Authority (*Consejo Nacional Electoral*, CNE) and the citizen branch of power (the Attorney General, the Comptroller General and the Human Rights National Ombudsman). Moreover, he also appointed loyal friends and allies to governorships and mayorships, consistent with a plebiscitary conception of elections. After his death, these practices were legitimized as part of the implementation of a revolutionary process called 21st-century socialism, which makes Chávez's legacy the destruction of Venezuela's former democracy.

Weberian sociological theory indicates that charisma is not transferable, and, therefore, when this source of legitimacy disappeared after Chávez's death in 2013, his successors had to look for alternative forms of domination. Weber established in his 1922 classic book *Economy and Society* that there are only three universal forms of authority: namely, the charismatic, the traditional, and the rational-legal (Weber, 1977). These forms of authority – ideal types that are never present in their pure forms but always mixed together – appear in societies and human groups simultaneously, although usually one dominates. In the case of Venezuela, under Maduro's government, Chávez's charismatic-populist authority was replaced by traditional *neopatrimonial* rule. This is an essential feature of Maduro's governing style and that of his elites: legitimacy is obtained on the premise that they are Chávez's successors. They should be obeyed because they were explicitly appointed by Chávez to continue his legacy. Thus, traditional domination (like its charismatic counterpart) is exercised as affection and loyalty through personal and intimate relationships.

This kind of neopatrimonial domination is very common in human societies, especially in their pre-modern stages. Monarchies, caliphates, and churches are based on this type of legitimacy – and so are revolutions. Maduro was appointed by Chávez as his successor in his last public appearance before traveling to Cuba to undergo surgery (from which he did not recover). As such, Maduro's initial legitimacy lies largely in this designation. In addition, Chávez's intimate circle coalesced around Maduro, allowing him to govern along with his family, friends and the military. Together, these elites do not obey modern logics for exercising power. Its members have divided the state among themselves and they have been managing it according to their interests, which they identify as revolutionary and socialist.

In traditional neopatrimonial domination the boundaries between the public and the private are not defined, and the rulers make use of public goods as if these belonged to them.<sup>5</sup> The constitution and the laws, although they may exist, are relegated to secondary instruments of legitimation. In order to become a government official what prevails is personal criteria, family ties and unconditional loyalty to the rulers. This way of doing politics has turned the state apparatus into an inefficient monster, a breeding ground for different kinds of corrupt practices. Under Maduro's rule, nepotism, privileges and a range of illegal practices already present in Chávez's charismatic era are now accentuated. This has led to the emergence of corruption and the penetration of transnational criminal organizations mafias within the state.

While the regime established by Chávez's successors may be considered a continuation of his legacy, the lack of charisma and resources available during the Chávez era have required significant adjustments. These adjustments imply a shift of both the exercise of power and the relationships between state and society that prevailed during Chávez's charismatic-populist rule.

President Nicolás Maduro has been completely discarding democratic institutions, concentrating even more power than Chávez and accentuating the regime's authoritarianism. Due to his lack of charisma, he has resorted to greater coercion and militarization to gain authority, even abolishing the right to fair and transparent elections. Lacking the abundant resources that Chávez enjoyed thanks to the high oil revenues during his administration, Maduro has not been able to legitimize himself sufficiently through clientelist mechanisms – not even with the creation of new modalities, such as the *Carnet de la Patria* ('Fatherland ID card') and the *Comités Locales de Abastecimiento y Producción* ('Local Supply and Production Committees', CLAP). Thus, Maduro, unlike Chávez, is not a charismatic or populist leader, but a tyrant, who cannot even legitimize himself in the polls – polls that he has stripped of their democratic status but maintains as a cover-up of legitimacy. He has been building a governance system of an authoritarian nature, with a tendency to seek stability and consolidation through a regime of totalitarian characteristics supported by military and civil elites that remain united for personal and criminal interests.

## **After populism: Venezuela's criminal state**

What is Venezuela's current situation? Venezuela is perceived today as one of the most corrupt countries in the world.<sup>6</sup> The country is also increasingly seen as a *criminal state*, run by groups and mafias dedicated to drug and human trafficking, money laundering, gold and arms smuggling, among other illicit businesses. These features – which the government denies and denounces as part of a discourse within an 'economic war' against the Revolution – are deepening in the midst of the country's social and economic catastrophe, suggesting the eventual collapse of its petro-state. The consolidation of the criminal state also constricts the conditions that could make a democratic transition in Venezuela possible. The enormous privileges and benefits the military and civil mafias that control the state enjoy not only increase their cohesion but also increase fears of being persecuted and punished in national or international courts if stripped of power.

In what follows, I discuss some emblematic crimes denounced by various national and international institutions, which have been perpetrated, admonished, encouraged or tolerated by the government or its acolytes. These cases make it obvious how the almost certain eventuality of having to respond to national or international justice has become a strong incentive for government officials and allies to remain united and refuse to negotiate a political transition, despite their precarious bases of support and legitimacy.<sup>7</sup> As political scientists would argue, the exit costs are very high for these people and their networks.

### *Violent crimes*

This category includes iconic crimes that involve violence, including crimes that deal with illegal drug businesses, which provide disproportionate profits and encourage further violence:

*The Narcosobrinos affair.* On 10 November 2015, two nephews of President Maduro's wife, Cilia Flores – 'Franqui' Francisco Flores de Freitas and Efraín Antonio Campo Flores – were arrested in a US Drug Enforcement Administration (DEA) sting operation in Haiti. One of them was raised in the same house as Cilia Flores after his mother (Cilia's sister) died. The DEA caught them *in flagrante*, negotiating with an undercover agent the transportation of 800 kilograms of cocaine that were to be sent to Honduras with an ultimate destination of the US. At the time of the arrest, the young men – in an unsuccessful attempt not to be detained – argued that they had diplomatic passports and that they were nephews of the Venezuelan presidential couple. Notwithstanding, they were taken to New York and prosecuted by the US District Court for the Southern District of New York. In 2017, they were found guilty and sentenced to 18 years without parole.<sup>8</sup>

During the trial, the prosecutors showed evidence of their luxury life style and longstanding illegal activities. Their phone records showed evidence of trips in private planes and purchases of weapons. Flores de Freitas boasted during the negotiation meetings that he could circumvent the controls at Venezuela's main airport because of his 'nephew' status. He even assured that the drug was being sent from the presidential ramp (with Maduro's presumed knowledge). They declared that the proceeds of the trafficking were going to be used to finance Cilia Flores' campaign for the 2015 parliamentary elections (Weffer, 2017). Moreover, the defense lawyers were part of a well-known and expensive law firm in New York, and were paid by Wilmer Ruperti – a Venezuelan oil magnate whose fortune originated from deals with the Chávez and Maduro governments. In an interview, Ruperti declared that he was paying the lawyers so that the presidential couple could govern in peace. Unsurprisingly, shortly afterwards he received a new contract with Venezuela's oil company PDVSA.<sup>9</sup>

*US Treasury sanctions to Vice President Tareck El Aissami.* In February 2017, the US Treasury's Office of Foreign Assets Control (OFAC) imposed sanctions on Tareck El Aissami, Venezuela's Vice President, along with Venezuelan businessman Samark José López Bello (identified as his front-man and partner).<sup>10</sup> El Aissami was accused of receiving payments to protect drug traffickers in Venezuelan territory and facilitating drug shipments of over 1000 kilograms to the US and Mexico. He was linked to other Venezuelan drug traffickers, namely Walid Makled García and Hermágoras González Polanco, as well as the Mexican cartel Los Zetas. Moreover, the Treasury Department document states that El Aissami offered protection to Colombian drug lord Daniel Barrera Barrera. Officials included in the OFAC list – also known as the Clinton list – are banned from doing business with US citizens, or institutions and companies around the world with links to the US, and their assets under US jurisdiction are frozen. Initially, El Aissami frozen assets corresponded to real estate properties in Florida and a private

plane in the name of López, which the vice president used to purchase assets.<sup>11</sup> However, a few months later the US government declared that these assets were more valuable than expected, amounting to at least \$500 million dollars.<sup>12</sup>

*Commander General Néstor Reverol, Venezuela's Minister of Interior, Justice and Peace.* Commander General Reverol, former director of Venezuela's Anti-Narcotics Agency (2009–12), was incorporated into the OFAC list in 2016 along with Deputy Director Edylberto José Molina Molina. They have also been indicted by the US District Court for the Eastern District of New York for accepting bribes by drug dealers while in office, in exchange for helping them distribute cocaine ultimately introduced into the US.<sup>13</sup> According to a statement from the New York Prosecutor's Office, the defendants alerted drug traffickers to the location of law-enforcement officers carrying out anti-drug raids in Venezuela, allowing them to change the place where they stored drugs or alter their drug transportation routes. They also stopped ongoing narcotics investigations to allow drug-laden vehicles to leave the country. Additionally, it is said that Reverol and Molina Molina released individuals arrested for drug trafficking and drugs and drug-related profits that had been seized by law enforcement. They are also accused of preventing the arrest or deportation of individuals accused of drug trafficking by foreign countries such as the United States. To this date, more than 50 Venezuelan officials, including 15 military officers, have been incorporated onto the OFAC sanctions list, accused of illegal business and/or human rights violations.

When the accusations against Reverol became public, President Maduro promoted him to Minister of Interior, Justice, and Peace. In this new post, he was, along with Maduro, the man mainly responsible for the violent repression of peaceful protests of 2016, which resulted in 39 deaths, 700 injured and more than 1000 individuals arrested. In 2017, protests escalated, and once again Reverol was responsible for the political repression against protestors. Human Rights NGOs denounced more than 150 deaths and more than 3000 arrests related to these protests. From the number of arrests, over 200 remained imprisoned at the beginning of 2018, some of whom were processed in military courts.<sup>14</sup>

### *White-collar crimes*

This denomination includes offenses that do not involve bloodshed and that are generally committed by individuals either with high socioeconomic status and/or in public office or related to the military. The best-known crimes of this type are influence peddling, money laundering, bribery, extortion, fraud, corporate fraud, fraudulent bankruptcy, and embezzlement, among others.

White-collar crimes became an intensified practice within state institutions under Chávez due to the lack of institutional checks and balances described in previous sections. For example, under the PSUV, the National Assembly stopped making inquiries to authorities and/or creating special commissions to investigate government officials. The internal control mechanisms were not implemented either, remaining in effect only on paper, as in the case of the social program '*Gran Misión a toda Vida Venezuela*', created in June 2012 to fight corruption (Tarre Briceño, interview, 2017). It is extremely

complex and difficult to have a precise idea of the widespread proliferation of white-collar crimes committed in the country throughout the years. The shocking figures that some sources cite give an account of the plunder perpetuated with impunity against the nation by the new political elites and their networks of relatives, friends and partners. The sources employed to make an illustrative selection of different cases presented in this paper were selected to ensure diversity and reliability.

***Illicit currency exchange trading.*** In February 2003, the Chávez government established a currency exchange control system under the name of Commission for the Administration of Currency Exchange (*Comisión de Administración de Divisas*, CADIVI). Since then, state intervention over the exchange currency market has been permanent and growing, as have been illegal activities that have derived from it. Great fortunes have been made from this currency exchange control system, considered the safest and most profitable business for *enchufados* – as Venezuelans call individuals ‘plugged’ into power and state-sponsored particularistic benefits. The lack of institutional checks and balances, along with a governing style based on familial ties, cronyism and clientelism, has made exchange rate illicit arrangements an extremely attractive mechanism for distributing oil revenues to the military and civilian ruling elites (who are a large share of a wealthy ‘Bolivarian bourgeoisie’ or ‘Bolígarchs’). Estimates of the drain of public resources of this sort are shocking.<sup>15</sup> For example, Miguel Rodríguez Torres, former Minister of the Interior, Justice and Peace, affirmed in 2014 that 40 percent of the companies that solicited currency exchange to CADIVI were fictitious.<sup>16</sup> Moreover, former Public Defender María Gabriela Ramírez, today in exile after publicly disagreeing with Maduro’s regime, estimates that in 10 years over 300 billion VEF was stolen from the nation’s treasury through different schemes.<sup>17</sup> Unlike other illicit businesses, such as those crimes related to drug trafficking, the ones related to illicit currency exchange have not had major consequences in terms of exposing these people to international justice.

***Odebrecht contracts, commissions and bribes.*** There are numerous reliable sources regarding the Odebrecht corruption scandal that rocked several Latin American governments in recent years. For example, there are trials that took place in Brazil that have included information about illicit business carried out with Venezuelan officials.<sup>18</sup> More recently, Venezuela’s former Attorney General Luisa Ortega Díaz has been presenting evidence on cases of bribes, overpayments and other crimes before, for instance, tribunals such as the Mercosur Prosecutor’s Summit and the Venezuelan Supreme Court of Justice in Exile.<sup>19</sup> Transparency International’s Venezuela Chapter has also documented important cases related to this scandal.<sup>20</sup> Based on these sources, Odebrecht left unfinished 11 projects out of 33 signed with the Venezuelan government (about 30 billion VEF wasted).<sup>21</sup> As a result of these investigations, we have learned of bribes accepted by executives to award contracts to Odebrecht at scandalous inflated prices. Yet, unlike other countries in Latin America, to date there have been no trials in Venezuela on these cases. Additionally, several cases of corruption have been documented by the Venezuelan National Assembly.<sup>22</sup> Other sources, among which the US Department of Justice stands out, have also denounced Odebrecht’s bribes in Venezuela.<sup>23</sup>

*Ties of operação lava jato to Nicolás Maduro.* *Operação Lava Jato* (Operation Car Wash) is the name given to the anti-corruption investigation carried out by the Brazilian Federal Police, looking at whether payments made by the companies Odebrecht and Andrade Gutiérrez to executives come from money illegally diverted from the Brazilian state oil company Petrobras. During the investigation, it became public that several presidents of the region made illegal payments to the Brazilian publicist couple Mónica Moura and Joao Santana for the design of their presidential campaigns. In an agreement between Moura and the Brazilian Justice to lower her sentence for these crimes, she stated that in 2012 she illegally received \$11 million in cash from Nicolás Maduro, then Venezuela's Minister of Foreign Affairs, to design the reelection campaign of Hugo Chávez.

*PDVSA embezzlement.* Another source of corruption has been the state oil company PDVSA, especially under Rafael Ramírez leadership (2004–14). Sources about corruption cases within this company include the investigations of the National Assembly of Venezuela, and efforts by the Principality of Andorra at the request of the US government for money laundering in the private bank of Andorra. More recently, investigations have been carried out by the Attorney General, Tareck William Saab, appointed by Maduro's fraudulent National Constituent Assembly (ANC), to replace Ortega Díaz.<sup>24</sup> According to several of these sources, 16 Venezuelans had accounts in Andorra, the product of money laundering from illegal businesses and bribes with Chinese companies (amounting to over US\$ 1 billion).<sup>25</sup> Illicit business in PDVSA ranged from embezzlement through the pension fund, insurance and reinsurance contracts, to overpriced concessions in the Orinoco oil belt and accepting bribes for the awarding of contracts, among others. Saab has implicated former PDVSA President Rafael Ramírez in these crimes.<sup>26</sup> He has also prosecuted over 60 PDVSA officials, including another former president of that industry, as well as executives and the president of CITGO, the Venezuelan state company responsible for processing and distributing oil and gasoline in the US market.<sup>27</sup> According to the most reliable sources (the Accountability Office of the National Assembly), the embezzlement in PDVSA would amount to over \$7000 million.

*Crimes with food: Imports and smuggling.* This line of business is controlled almost exclusively by military groups. Crimes of this type have flourished due to the decreasing national production and the greater restriction of private importation of food, medicines and basic goods. Unlike the others, information on these crimes is relatively scarce and there is widespread impunity. The most significant scandal in previous years (2009) had been *Pudreval*, involving PDVSA's food distribution network.<sup>28</sup> Given the acute food crisis the country has faced since 2016, illegal businesses related to food have grown. The most recent case of illicit business with food imports relates to the Local Committees of Production Supply (CLAP), a food distribution network promoted since 2016 by the Maduro government. The purpose of this social mission is to distribute bags or boxes of staple food and basic products at subsidized prices – the majority of which are imported. The complex network profiteering from such imports might involve a number of people in Mexico, Colombia and Venezuela, including Maduro himself.<sup>29</sup>

## Nepotism

Consistent with the government's patrimonial conception of governing that prevails in Venezuela, privileges, perks and nepotism have become extensive practices that have been hard to stop or punish. Being a relative, a son, or a close friend of the president or other high officials provides a sort of credential for the enjoyment of privileges and/or the ability to gain access to the highest government positions. Being a military personnel is another way of accessing public resources. Here are some notorious nepotistic networks linked to Venezuela's governance under Maduro:

1. *Chávez's children from his first marriage.* They took over the presidential house (*la Casona*), and five years after Chávez's death they remain there. The Chávez family keeps significant power in Venezuela. Its main figures include Chávez's daughter María Gabriela Chávez (Venezuela's representative to the UN); his cousin Asdrúbal (President of CITGO), and his son-in-law Jorge Arreaza (Venezuela's Minister of Foreign Affairs).
2. *The Maduro–Flores dynasty.* Between 2005 and 2011, Nicolás Maduro and his wife Cilia Flores held successively the presidency of the National Assembly. While Flores acted as president, the Legislature's employees union denounced the incorporation of more than 40 of their relatives onto the payroll. When Flores left office – to occupy first the Attorney General's Office and later taking up the role of First Lady – some of her relatives also left the National Assembly to obtain higher posts. Journalist accounts and anecdotal evidence of their presence and influence across the Venezuelan bureaucracy abound.<sup>30</sup>
3. *The Cabello clan.* Military officer Diosdado Cabello is one of the most powerful figures of *Chavismo*. Currently the president of the National Constituent Assembly, his influence extends to the PSUV, the military and sectors of the Bolivarian bourgeoisie.<sup>31</sup> He and his family members have benefited extensively, including his brother José David, also a powerful military man.<sup>32</sup> Similarly, Cabello's wife has been appointed Minister of Tourism and then Minister of Public Works.<sup>33</sup> In addition, there are several complaints about family members taking advantage of influence peddling. The names of these relatives have surfaced in the cases of the bribes related to Odebrecht and the company Derwick Associates, an energy company that received contracts with the electricity sector that were worth millions.<sup>34</sup>

## Impunity, privileges and perks among the rest of the military

As mentioned above, the military, their relatives and attachés, protected by impunity, are deeply implicated in different kinds of crimes. During Maduro's government this elite has expanded the privileges and benefits enjoyed since the Chávez era, providing them with continuous incentives to be loyal to the regime. This includes military ties to drug trafficking that evolved before the Bolivarian Revolution, and subsequently strengthened and multiplied under Chávez and Maduro's rule.<sup>35</sup> Other illicit businesses are also carried out around the border with the complicity of military personnel of

various components, but especially the Bolivarian National Guard. Among such businesses are those of gasoline contraband, smuggling of weapons, food and precious minerals such as gold, coltan and diamonds, as well as human trafficking. Likewise, the military elite have been in charge of CADIVI, with lucrative businesses with dollars at preferential rate.

Illicit businesses contribute in an important way to explain the military support for Maduro, which is essential if he is to remain in power. Therefore, he continuously opens more business opportunities for this elite, grants them privileges, and ensures salary increases for the military amidst the country's catastrophic economic crisis. Some of the benefits enjoyed include:

**Power quotas.** Military officers hold key positions in the executive cabinet, as well as governorships, mayorships, companies and government agencies. They currently occupy nine out of 34 ministries, eight of whom are active military men. They hold one-third of the country's governorships and control key areas of the public administration sector, such as those related to food, electricity, oil, security and the currency exchange control system.<sup>36</sup>

**Economic power.** Between 2013 and 2017, the government created 14 military companies in key areas of the economy, of which the Bolivarian Armed Forces control a total of 20 industries, including oil, construction, agricultural and insurance companies, as well as banks, garment factories, military vehicles, and a television channel, among others. These companies make up a conglomerate that negotiates with the state from within.<sup>37</sup> In 2016 the *Compañía Anónima Militar de Industrias Mineras, Petrolíferas y de Gas* (Camimpeg) was founded to ensure the military participation in the mining businesses promoted that year by Maduro as an alternative to oil exploitation. The decree of the Mining Arc (2016) basically concedes an area of the national territory to a special economic regime controlled by the national government. It has a total of 111,846.86 sq km, that is, 12.2 percent of the Venezuelan territory, in the northern states of Bolívar, Amazonas and Delta Amacuro. The decree seeks to stimulate sectoral activities associated with the exploitation of mineral resources, with the participation of private, public and mixed companies, and small-scale miners. The Mining Arc developments have been severely criticized for lack of transparency, criminal activity and, most importantly, irreversible damage to the environment (Edgar and Pineda, 2017).

**Material benefits.** In the midst of hyperinflation, the government strives to maintain the wage income of the military. Officers are constantly offered salary increases, thereby enjoying salaries superior to other professionals employed in public administration. The government also promotes housing construction policies, loan systems and specific social programs aimed at the military.<sup>38</sup> On 11 August 2018, in a meeting with generals and admirals that reached social news networks, Maduro offered the military its fifth salary increase of the year, accompanying it with an open threat:

I understand that you might have relatives who do not agree with the government, who have allowed themselves to get contaminated by politics. *But I ask for complete, total loyalty.* It is preferably that an officer – and sorry if I say it this way – stops visiting such family members

or even avoids visiting them than losing their career for carelessness. With this I will be very strict, and I have given direct orders so that we avoid being infiltrated or permissive with fifth columns; your families must be loyal to you, take you into account, and not to those who want to destroy the revolution.<sup>39</sup>

## Concluding remarks

In Venezuela, the combination of a discourse and a populist way of doing politics, a charismatic legacy and an anti-liberal socialist ideology has destroyed all institutional accountability mechanisms to power in the country. This has resulted in an expansion of corruption in the state apparatus that has transformed the military elite and civil revolutionary groups into criminal mafias that take advantage of their privileges to commit all kinds of crimes, including transnational organized crime. Such privileges and interests are main factors in bringing together these elites, strengthening Maduro's authoritarian tendency and his increasingly disproportionate repressive action against all political opposition. At the same time, this perverse dynamic undermines the power of state institutions, weakening their capacities to fulfill the basic obligations of preserving the life and well-being of its citizens.

The systematic crisis that afflicts Venezuela today has become more complex by the intervention of international organizations and their cooperation with the country's social and political actors. This has created an increasingly uncertain future for the country. There does not seem to be an easy or quick solution to the problems the country faces, nor does there seem to be a possibility of reaching a democratic exit without coordination between democratic actors of the international community and those of Venezuela's political opposition. This coordinated action – which does not exist today – is urgent and should be based on a both a short-term vision, aimed at developing plans focused on solving urgently the complex humanitarian crisis that is ravaging the society today, and a medium- and long-term strategy that allows the building and/or strengthening of the actors and institutions that today seek to reinstate a democracy in Venezuela.

Although it could be considered an extreme case of how populist and statist traits evolved within a rentier oil economy, the case of Venezuela should serve as a warning for other countries. It shows the dangers of falling under the populist seduction of a charismatic leader, who – once in power – could erode all institutional accountability mechanisms and destroy democracy from within.

*Translated by Jessica Velázquez Urribarri*

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## Notes

1. This includes two books (López Maya, 2006, 2016), and numerous academic articles (including López Maya, 2018). For more of the author's work on the Chávez era, see <https://margaritalopezmaya.com/>
2. For instance, I rely on the proceedings and complaints introduced before international institutions by the former Venezuelan Attorney General Luisa Ortega Díaz. I have also reviewed investigation reports from the National Assembly of Venezuela conducted in exercise of this institution's accountability functions. Additional sources constitute lawsuits and trials presented in US courts and Andorra, reviewed on social networking websites specializing in this subject, such as the blogs Mailbortpetit, Armando.info and El Pitazo. Likewise, I often rely on information from Venezuelan news portals and press releases, previously scrutinized to ensure their reliability. Finally, to interpret the information and correctly identify and categorize the illicit activities described in this article, I sought out the advice and methodological support of Marcos Tarre Briceño, a well-known specialist in corruption in Venezuela.
3. Here I only present a summary of the most important aspects. For an extended overview of the notion and characteristics of populism and charismatic authority, see Chapter 1 in López Maya (2016).
4. For more on this crisis, see López Maya (2006), among others.
5. For an extended analysis and an annotated bibliography on patrimonial domination, see Chapter 1 in López Maya (2016).
6. According to Transparency International, since 2017 Venezuela has become the most corrupt country in Latin America (surpassing Haiti, which previously occupied that position). Of a total of 180 countries included in the organization's Corruption Perception Index (which ranks countries on a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean), Venezuela ranks near the bottom at 169th. See: [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017?gclid=Cj0KCQjwpcLZBRCnARIsAMPBgF1d1Sryhynxq7i2\\_xs5NqlhRz-CjtwF0MKIVqiksBatPk2bEIZew2IaArIcEALw\\_wc](https://www.transparency.org/news/feature/corruption_perceptions_index_2017?gclid=Cj0KCQjwpcLZBRCnARIsAMPBgF1d1Sryhynxq7i2_xs5NqlhRz-CjtwF0MKIVqiksBatPk2bEIZew2IaArIcEALw_wc) (accessed 30 August 2018).
7. In this respect, it is important to rescue the work of Moisés Naim, who has been a strong voice against situations like these. Read, for example, his articles published by the newspaper *El País* entitled 'La historia oculta de Venezuela' (4 November 2007) and 'Venezuela sin Chávez' (31 July 211).
8. Retrieved from [http://www.el-nacional.com/noticias/sucesos/sobrinos-cilia-flores-fueron-sentenciados-anos-prision\\_215474](http://www.el-nacional.com/noticias/sucesos/sobrinos-cilia-flores-fueron-sentenciados-anos-prision_215474)
9. Retrieved from <http://maibortpetit.blogspot.com/2016/09/en-plena-crisis-wilmer-rupertigana.html>
10. Retrieved from <http://runrun.es/nacional/venezuela-2/297053/ee-uu-sanciona-al-vicepresidente-tareck-el-aissami-por-narcotrafico-y-congela-sus-bienes.html>
11. In June 2018 López Bello was appointed Vice President of the Economic Sector, and in July he also became Chief of the Mixed Intergovernmental Commission between Russia and Venezuela.
12. Retrieved from [http://www.el-nacional.com/noticias/mundo/activos-aissami-ascienden-cientos-millones-dolares\\_195252](http://www.el-nacional.com/noticias/mundo/activos-aissami-ascienden-cientos-millones-dolares_195252)
13. See <http://runrun.es/nacional/273058/ee-uu-acusa-a-nessor-reverol-y-edylberto-molina-por-narcotrafico.html>.
14. See <https://www.observatoriodeconflictos.org.ve/sin-categoria/venezuela-6-729-protestas-y-157-fallecidos-desde-el-1-de-abril-de-2017>. Officially, the General Attorney's Office recognized 129 deaths during the four months of protests in the country.

15. Some of these figures even come from sources within the *Chavismo*, such as former ministers of Chávez governments, who disagreed with Maduro's policies. For instance, Jorge Giordani, Chávez's Minister of Planning and Finance, and whom Maduro removed in 2014, acknowledged that, between 2011 and 2012, more than \$20,000 million had been dispelled by the CADIVI system, through '*maletín*' companies (i.e. ghost companies) and import of scrap metal. See <https://www.aporrea.org/ideologia/a190011.html> y <http://impactocna.com/giordani-reconoce-que-se-perdieron-25-mil-millones-de-dolares-por-el-sitme/>
16. Retrieved from <https://maduradas.com/y-donde-estan-30-mil-millones-de-dolares-se-robaron-las-empresas-de-maletin-en-2-anos/>. Rodríguez Torres also fell from grace with Maduro and was imprisoned in 2018.
17. Retrieved from <https://www.noticiasaldiayalahora.co/nacionales/exdefensora-hablo-hastapor-los-codos-300-mil-millones-de-dolares-en-10-anos/>. This figure is consistent with that indicated in Ellis (2017).
18. Retrieved from [http://www.el-nacional.com/noticias/politica/melva-paredes-informo-que-tomara-decisiones-sobre-los-casos-odebrecht\\_201154](http://www.el-nacional.com/noticias/politica/melva-paredes-informo-que-tomara-decisiones-sobre-los-casos-odebrecht_201154)
19. The General Attorney Ortega Díaz was removed from office by the fraudulent National Constituent Assembly in August 2017. This organization, imposed by Maduro, was installed that same year in violation of the constitutional and legal framework of the nation. See <http://efectococuyo.com/politica/las-cifras-de-corrupcion-que-develo-ortega-diaz-en-reunion-de-fiscales-del-mercosur>. For more on the Supreme Court of Justice in exile, see [https://es.wikipedia.org/wiki/Tribunal\\_Supremo\\_de\\_Justicia\\_de\\_Venezuela\\_en\\_el\\_exilio](https://es.wikipedia.org/wiki/Tribunal_Supremo_de_Justicia_de_Venezuela_en_el_exilio).
20. See <http://transparencia.org.ve/odebrecht/>.
21. According to the declarations of the director of the Food and Agriculture Organization of the United Nations (FAO), this astronomical figure was equivalent to the resources needed to eradicate hunger from the planet for one year in 2008. Retrieved from <http://www.fao.org/newsroom/es/news/2008/1000853/index.html>
22. The list of cases include: 1. The construction of Line Five of the Caracas Metro. This project started in 2007 and was scheduled to be delivered by 2010. It remains unfinished and has had a 1200% surcharge; 2. Metro Guarenas-Guatire. It also started in 2007, to be delivered by 2015. It is only 20% completed and has had a 744% surcharge; 3. *Metro Cable La Dolorita*. It started in 2007 and should have been delivered by 2015. It is 50% completed; 4. *Metro Cable of Mariche*. After two years, only 50% of the project has been completed. It had a 195% surcharge. 5. Line Two of Los Teques Metro. Started in 2007; there is no information on its cost. The work is only 38% completed and is currently paralyzed. The minister responsible for this project was José David Cabello, brother of Diosdado Cabello, widely considered the second most powerful leader of *Chavismo*.
23. For example, between 2006 and 2015, Venezuelan executives and their associates received \$98 million from Odebrecht in bribes to obtain public works contracts. These amounts are the highest ever after those of Brazil. Retrieved from [http://www.el-nacional.com/noticias/politica/melva-paredes-informo-que-tomara-decisiones-sobre-los-casos-odebrecht\\_201154](http://www.el-nacional.com/noticias/politica/melva-paredes-informo-que-tomara-decisiones-sobre-los-casos-odebrecht_201154).
24. See, among others, <http://efectococuyo.com/principales/cinco-casos-de-corrupcion-que-salpicaron-al-gobierno-pdvsa-y-los-clap/>; <http://maibortpetit.blogspot.com/2018/05/asi-pasaron-miles-de-millones-de-pdvsa.html>; [http://www.el-nacional.com/noticias/politica/comision-contraloria-investigara-desfalco-mas-7000-millones-dolares\\_13593](http://www.el-nacional.com/noticias/politica/comision-contraloria-investigara-desfalco-mas-7000-millones-dolares_13593); [http://www.el-nacional.com/noticias/gobierno/saab-hemos-develado-una-nueva-trama-corrupcion-pdvsa\\_227607](http://www.el-nacional.com/noticias/gobierno/saab-hemos-develado-una-nueva-trama-corrupcion-pdvsa_227607).
25. Among those linked to the embezzlement of PDVSA, former Vice Minister of Energy and Petroleum Nervis Villalobos, who is currently in prison in Spain, and Diego Salazar Carreño, a multimillionaire that received multiple contracts, privileges and perks and who is the cousin of

- Ramírez, stand out. In the course of finishing this article, Salazar Carreño was imprisoned in Caracas.
26. Ramírez, under pressure from the government, resigned from his position as Venezuela's ambassador to the United Nations in December 2017 and has been hiding ever since. He defends himself by claiming that the accusations are a political retaliation for disagreeing with Maduro's oil policy. Retrieved from <https://www.efe.com/efe/america/politica/el-exjefe-de-pdvsa-rafael-ramirez-quiere-ser-candidato-a-la-presidencia-venezolana/20000035-3469348>.
  27. The General Attorney in exile, Ortega Díaz, accuses Saab of developing illicit business in PDVSA. Specifically, she claims to have six files that implicate him in the embezzlement of the state oil company, suggesting that Saab's investigations are aimed at strengthening Maduro's leadership within the *Chavismo*, annihilating powerful opponents such as Ramírez. Saab, on his part, accuses Ortega Díaz and her husband, Deputy Germán Ferrer, of organizing a corruption network. Retrieved from [http://www.el-nacional.com/noticias/politica/ortega-diaz-tarek-william-saab-posee-seis-expedientes-por-corrupcion\\_200130](http://www.el-nacional.com/noticias/politica/ortega-diaz-tarek-william-saab-posee-seis-expedientes-por-corrupcion_200130)
  28. In 2009 and 2010 numerous complaints were made by regional authorities, deputies, prosecutors and even by the Bolivarian National Intelligence Service (SEBIN) about the discovery of thousands of tons of food, rotten or expired, in the inside of containers imported by PDVSA's food distribution network called PDVAL. This was either because of inefficiencies in that distribution network, or because this activity gave access to the preferential dollars of CADIVI, which could then be diverted to the parallel market with large profits. The fact is that thousands of containers with rotten food began to be detected in Puerto Cabello. An investigation was opened and three of the officials responsible for the network were arrested. These were later released and even re-incorporated into public office. See <http://www.caraotadigital.net/investigacion/cae-jose-manuel-gonzalez-exgerente-pdval-magnate-imperio-empresarial/>
  29. A company called Group Grand Limited would be one of those in charge of importing food, dispatching millions of boxes with food from the Port of Veracruz of Mexico to Venezuela. The investigations of the Attorney General in exile, Ortega Díaz, as well as those of the journalists of the news portal called Armando.info, have denounced this company as directly linked to Maduro. Moreover, the investigations also implicate a Colombian businessman and the former Colombian senator, Piedad Córdoba, who was closely linked to Chavez and continues to support the government of Venezuela. See <https://armando.info/historias/7559=de-veracruz-a-la-guaira,-un-viaje-que-une-a-piedad-cordoba-con-nicolas-maduro> and [http://www.el-nacional.com/noticias/politica/revelan-nuevos-vinculos-entre-maduro-corrupcion-los-clap\\_201978](http://www.el-nacional.com/noticias/politica/revelan-nuevos-vinculos-entre-maduro-corrupcion-los-clap_201978)
  30. For instance, in 2016, the portal *contrapunto.com* was able to identify 14 of Flores's relatives in public office, highlighting Flores's nephew, Carlos Erik Malpica Flores, who went from a low-ranked position in the administration of the National Assembly to becoming National Treasurer in September 2013. The following year he also became Director and Vice President of Finance of PDVSA, a member of the board of directors of government bank BANDES, and in 2015 a member of the Simón Bolívar Fund for Reconstruction. Another case is that of 'Nicolasio', Maduro's son. His father appointed him coordinator of an entity created in 2013 to monitor the progress of government plans. In July 2014, he was also appointed Director of the National Film School. Since 2017 Nicolasio has occupied a seat in the National Constituent Assembly, and in 2018 he became a member of the board of the Orchestral System of the Simón Bolívar Musical Foundation. In addition, Flores's son, Walter Jacob Gavidia Flores, is president of the Propatria 2000 Foundation, a program that is responsible for developing social assistance and infrastructure projects at the national level. For a detailed recount, see <http://contrapunto.com/noticia/analisis-la-dinastia-maduro-flores-amplia-su-presencia-en-el-gobierno/>

31. Cabello participated in the military assault referred to as the fourth of February (4F), and has occupied, among other positions, those of Vice President of Chávez, Governor of Miranda state, Director of CONATEL, Minister of the Interior and Justice, President of the National Assembly and, currently, President of the National Constituent Assembly.
32. He has been Minister of Infrastructure, director of Simón Bolívar International Airport and President of the National Service of Customs and Tax Administration (SENIAT). Currently, he is the Minister of Industry.
33. Retrieved from <https://elcooperante.com/esposa-de-diosdado-fue-designada-ministra-de-obras-publicas-luego-de-destruir-el-turismo/>
34. Retrieved from <https://www.facebook.com/lapatilla/posts/661564173862256>; <http://mai.bortpetit.blogspot.com/2017/07/caso-derwick-bolichicos-sale-relucir-en.html>.
35. As mentioned above, government officials have been sanctioned and incorporated into the US OFAC list, accused of protecting or belonging to drug trafficking networks. In addition to the suspension of institutional control procedures by Chávez, around 2005, the government also cut relations with the US Drug Enforcement Administration, as well as other anti-drug trafficking international government agencies, arguing that they violated aspects of national sovereignty. Furthermore, Chávez tended to diminish the importance of the fight against crime, based on the idea that the causes of these phenomena were due to social and exclusion factors, and as such they would be resolved with socialist policies. This produced a drastic change in procedures and behavioral patterns towards crime by security forces which, unfortunately, ended up facilitating different kinds of impunity. Additionally, since the beginning of his administration, Chávez changed the official policies towards kidnappings in the national territory; the government got directly involved in the release of hostages by using the military as mediators. This new policy propitiated that mediators in cases of kidnappings perpetrated by Colombian guerrilla groups (including FARC) would strengthen ties with them and their businesses. From this point on, the military ensured the free transit of cocaine through the national territory – which is the main and most lucrative business of the Colombian guerrillas – in exchange for money (Tarre Briceño, interview 2017).
36. Retrieved from <https://www.controlciudadano.org/contexto/infografias/participacion-militar-en-el-gabinete-ministerial-infografia>; <http://efectocucuyo.com/politica/por-primera-vez-desde-2014-hay-menos-militares-en-gabinete-ministerial-de-maduro/>.
37. Retrieved from <http://cronica.uno/20-empresas-la-fanb-acapara-poder-economico/>.
38. Retrieved from <https://www.elnuevoherald.com/noticias/mundo/america-latina/venezuela-es/article209042459.htm>.
39. Retrieved from <https://www.lapatilla.com/2018/08/12/fastos-y-nefastos-de-la-semana-maduro-esta-nervioso-por-jose-luis-farias-fariasjoseluis/>.

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