

Venezuela's Economic Performance

by Mark Weisbrot

IT IS SOMETIMES ASSERTED THAT VENEZUELA under President Hugo Chávez (1999-present) has been an economic failure. For example, a recent article in the *Washington Post* referred to Chávez as “the populist Venezuelan president whose giveaways to the poor have slowed economic progress.” The evidence does not support such claims. From 1970-1998 per capita income in Venezuela fell by 35%. This is the worst economic decline in the region and one of the worst in the world—much worse even than what happened to Africa during this period.

Since the present government took office, per capita income growth is about flat and will likely be positive at year's end. The Chávez government can therefore at least claim credit for reversing the terrible long-term economic decline in Venezuela, according to the standard reference sources on economic growth.

But there are other considerations. First, it would not be fair to hold the government accountable for the loss of output due to opposition actions aimed at toppling the government. The oil strike of 2002-2003 caused enormous damage; one might also include the military coup and other destabilizing actions. Economic growth would have almost certainly been substantially higher and well above the average for the region if not for these efforts.

There have been a number of articles recently—e.g. in the *Christian Science Monitor* and Andres Oppenheimer in the *Miami Herald*—claiming that based on government statistics poverty has actually increased under President Chávez. This is also wrong, because these data do not include the non-cash income of the poor—including subsidized food and access to health care services. With subsidized food now reaching 46% of the population, this one program alone could easily push millions of people over the official poverty line, which is only based on cash income. Any comparison of poverty today with past years that does not

include these new benefits to the poor is essentially meaningless. The statistics these articles use are also misleading.

1998	49.00
1999	42.80
2000	41.60
2001	39.10
2002	41.50
2003	54.00
2004	53.10

Source: Instituto Nacional de Estadística,
República Bolivariana de Venezuela
<<http://www.ine.gov.ve/>>.

The data (see table) used are from the first quarter of each year, but do not include the first quarter of 2005. Since growth was very rapid over 2004 (17.8%) and continued into the first quarter of 2005, we would expect a dramatically different poverty rate today. A look at the Chávez years that stops at March 2004, just one quarter after a severely depressed year, is not very useful.

In addition, poverty rates are generally very sensitive to sharp changes in economic growth. As can be seen in the table, almost all of the increase in poverty during this period is in one year: 2002 (first quarter) to 2003 (first quarter). Not surprisingly, this was during the height of the recent economic recession, which was caused by the oil strike lasting from December 2002 to February 2003. Over that year, GDP was down 24.9%. At the same time, the poverty rate went from 41.5 to 54%, a 30% increase.

To measure a change in poverty over this period while including an extremely steep economic downturn, but not including most of the recovery, does not make any economic sense. It is like comparing fall temperatures to the summer, and concluding there is no global warming. ■

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