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# *The Restructuring of the Venezuelan State and State Theory*

*Luis Llambí and Lourdes Gouveia*

A central objective of this article is to examine the restructuring of the state apparatuses and decision-making processes of economically "small" and politically "weak" nation-states as they adjust to the emerging global economic and social order. We focus most specifically on the impact of the above-mentioned projects on two different state restructuring projects--one "endogenous" the other "exogenous"--of the Venezuelan Ministry of Agriculture (MAC) and related agencies.

In our analysis, we find that the reorganization of state systems is determined both by structural forces--a particular "logic of capital"--and by conjunctural factors and contingencies such as the particular balance of social forces and institutional structure present at each juncture. Transnational forces enhance the complex determinacy of state power and autonomy, but their effect is far from clear at this point. We conclude that globalization theory may have been too quick in its generalizations about the current and future fate of the nation-state. The restructuring of current state forms is a highly heterogeneous and contingent process, suggesting the need for a substantial dialog between additional research and formulation of state theory.

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## *Introduction*

Two different state restructuring projects are currently in process in Venezuela. One was "endogenously" conceived in the early 1970s by a domestic entrepreneurial group and later adopted by successive government administrations. The other was "exogenously" formulated by multilateral agencies in the late 1980s, though partially informed by earlier, domestically-based, policy formulations.

Although they have changed over time, the principal objectives of the "endogenous" project were aimed at achieving greater efficiency within the state apparatus. This was to be accomplished via such mechanisms as the decentralization of the different state powers, privatization of some state functions and the democratization of decision-making mechanisms. The "exogenous" project constitutes the principal component of the various structural adjustment reforms advocated by major multilateral institutions, such as the World Bank (WB) and the International Monetary Fund (IMF), as a result of the debt crisis of the 1980s.

A central objective of this article is to examine the restructuring of the state apparatuses and decision-making processes of economically "small" and politically "weak" nation-states as they adjust to the emerging global economic and social order. We focus most specifically on the impact of the above-mentioned projects on the restructuring of the Venezuelan Ministry of Agriculture (MAC)

and related agencies, as well as on the resulting policy changes.

From a theoretical standpoint, our case study serves as an empirical foundation from which to reconsider concepts such as state power and state autonomy which are central to theories of the state, and which are necessarily problematized by the internationalization of the economy. In this context, it is also relevant to insert our analysis within the terms of a recent debate in the sociology of agriculture literature concerning the changing relationship (spatial, social) between the polity and the economy in the emerging global order. Briefly, there are two major lines of argument within this literature. One is represented in the works of sociologists such as McMichael (1993) and McMichael and Myhre (1991). They perceive the gradual erosion of national regulatory mechanisms as parallel to the emergence of "supra-national" forms of global regulation. These supra-national forms include both the capacity of transnational corporations to establish their own norms (thus bypassing nation-state regulations), as well as the empowering of multilateral institutions charged with disciplining "deviant" nation-states and creating a new regulatory framework. This erosion of nation-state power, McMichael suggests, is asymmetric. For example, among Third World debtor states subjected to IMF's "disciplinary actions," the erosion of national regulatory mechanisms and resultant loss of nation-state capacities is particularly salient (McMichael and Myhre, 1991:89). In a similar vein Vacs suggests that:

The development of self-regulated markets and the establishment of minimalist states in a context of growing transnationalization and global interdependence reduces the capacity of these states to influence the evolution of crucial economic, political and social variables (Vacs, 1992:31).

This process, McMichael and Myhre (1991:89) contend, "does not necessarily eliminate the state," but demands the restructuring of the state apparatus as well as the reformulation of the state's traditional role in the capital accumulation process. McMichael concludes:

Global regulatory mechanisms, anchored in international financial institutions, depend on the withdrawal of state protection of national markets in money, labor and commodities, and the reorganization of the state to secure transnational circuits in money, labor and commodities. Arguably, the state is no less important in this process than it was in the recent era of national regulation. While the state has always been the political scaffolding of the world economy (McMichael, 1987), it has recently fulfilled a particular national function. However, current institutional and private forms of financial and productive internationalization threaten the coherence of national forms of political and economic organization (McMichael and Myhre, 1991, as quoted in McMichael 1993:204).

The second position, best represented in the aforementioned literature by Alessandro Bonanno and Bill Friedland is built upon a different epistemological basis and contains a more definitive prognosis. Similar to McMichael and Myhre, Bonanno and Friedland assume a weakening of domestic state institutions and, consequently foresee an increased capacity of transnational corporations (TNCs) to by-pass state regulations. Based on what we might characterize as an updated version of a "logic of capital" thesis,<sup>1</sup> Friedland and Bonanno postulate the "logical" and/or "historical" necessity for the emergence of a transnational state--in congruity with the regulation of requirements of transnational capital. Unlike Friedland (1991), however, Bonanno (1992, 1993) argues that this need for a transnational state is felt not only by TNCs, anxious to evade costly regulations,

but, contradictorily, by subordinate classes as well. As the domestic state becomes incapable of adequately performing its traditional accumulation and legitimation functions (i.e. of mediating between economic and social needs), a transnational state form is required to fill this power vacuum.

To tackle these issues, we would like to submit two preliminary hypotheses for discussion. First let us make clear that we agree with the observations of other authors that the IMF/WB's project for restructuring indebted Third World economies was initially premised on "national" de-regulation and a "minimalist" state (Vacs, 1992; Callaghy, 1989). However, we disagree with those who, we believe rather hastily, have tended to postulate an irreversible "diminishing" or "weakening" of the nation state's defining functions, based partly on such observations (Vacs, 1992; Griffin and Khan, 1992; Smith, 1992; Bonanno, 1992, 1993; McMichael, 1993). Instead, our first "hypothesis" is that the actual restructuring process is significantly more complex. While such "functional shrinkage" has indeed taken place in the short-term, a longer-term analysis of such restructuring projects suggests that in fact the opposite is at times the case. In other words, at least in some cases, nation-state institutions have been strengthened, though unquestionably transformed.

Second, the final outcome of these restructuring processes are far from determinate. At the national level, we can point to a series of increasingly contradictory reform projects, only partially internalized by either transnationalized elites or subordinate classes; both of which are currently experiencing serious internal splits. By the same token, at the supranational level, the indeterminacy of the globalization process--and of its multiple effects on the nation-state system--is evidenced by the difficulties which hampered negotia-

tions (as in GATT) among the major post-Cold War super-states (US, Japan, EC), to arrive at a new set of rules governing the emerging global economic order.

The article consists of two main sections and final conclusions. In the first section we examine the origins and evolution of the Venezuelan state's current restructuring process. The analysis is grounded on a historical review of the two projects which have been at the center of the state restructuring process: 1) COPRE's project<sup>2</sup> and 2) the multilateral agencies' project--primarily, but not only, that of the World Bank (WB) and the International Monetary Fund (IMF). In the second part of this paper we highlight the key comparative and contrasting features of these two projects and conclude with some final theoretical implications.

## *Venezuela's State Reform: The History of Two Projects*

### **Copre's Project: An "Endogenous" Reform Project**

Venezuela's "endogenous" state restructuring project, which in time came to be identified as "COPRE's project," was initially formulated by a coalition of entrepreneurs and state officials. As the formulation and initial implementation of this reform project advanced, however, a different coalition of subordinate forces, nationally confined capitals, and provincial elites began to articulate an alternative version of this same endogenous project. We will call the first version, the "top down" version and the second, the "bottom up" version of the endogenous reform project. In the following paragraphs we examine these two versions of the endogenous project, and the tensions that emerged as they battled for ideological prominence.

*From Punto Fijo to COPRE: antecedents to the reform project*

In 1958 the Venezuelan coalition of political and social forces credited with toppling the dictatorial regime of Marcos Perez Jimenez signed the so-called Punto Fijo Pact. This pact is widely regarded as having laid the foundations for the nascent Venezuelan democracy. The Pact contained three basic components. The first was *economic development* whereby the state was allocated a central role in the promotion and regulation of economic growth through the adoption of an import substitution industrialization (ISI) strategy. A second component was *social development*, to be accomplished via a significant redistribution of state-controlled oil rents in order to create an internal market capable of absorbing national industrial production and of providing the state with an adequate dose of political legitimacy; Finally, a *pluralist democracy* was to be achieved through the consolidation of a multiple party system capable of channeling demands emerging from different social sectors (Gómez, 1993; Kornblith, 1993; Gómez and López, 1990).

This often-called "pacted democracy" generated highly disparate and ultimately contradictory outcomes which have become clearer over time. On the one hand, Venezuela enjoyed almost three decades of political stability, inter-elite consensus and political legitimacy. On the other hand, the clientelist mechanisms that underlay this democratic project and the accompanying increase in corruption among public officials gradually eroded the basis for sustained political stability and political-ideological legitimacy (Kornblith, 1993). Furthermore, the unequal distribution of oil revenues resulted in the extreme concentration of wealth within a relatively small private sector (del Búfalo, 1992; Gómez and López, 1990). By 1983 the debt

crisis precipitated the financial, and thus final, collapse of the Punto Fijo Pact.

*The "top down" version*

Already in 1972, an entrepreneurial group headed by Pedro Tinoco, a prominent financial entrepreneur, began to question public sector inefficiencies and demanded the "modernization" of the states central institutions and "parastatal" enterprises. Within the early formulations of the "endogenous" reform project, the "mixed economy" (state/market) model, which characterized Venezuela at the time, was not in question. Tinoco and his followers were simply calling for the instilling of a market logic within the state apparatus, and most specifically within the parastatals enterprises.

Tinoco's group and its various successors (e.g. the Roraima Group) made significant inroads shaping public opinion to accept the idea that an overhaul of the state system had become an imperative necessity. However, the groups still lacked the final catalyst to convince governmental elites and popular sectors to lend their support to the project. The opportunity arose in 1983 as the initial macroeconomic readjustment policies began to be enacted and, most certainly, after the shock caused by a 170% devaluation of the national currency. It is at this point that the idea of reducing the state's role in the economy, i.e. of modifying the mixed-economy model via decentralization and privatization, began to form part of the reform project. Almost simultaneously--although not entirely divorced from the modernization discourse--would-be reformers intensified their attacks on an increasingly delegitimized political system.

This project gestation period culminated in 1984 with a presidential decree creating the Commission for the Reform of the State (COPRE). Curiously enough, the man called to head the Commission was Ramon J.

Velasquez who, subsequent to the impeachment of President Carlos Andres Perez amidst corruption charges, became acting President of Venezuela. J. Velasquez is a respected academician from the provinces whose new position afforded him a grand opportunity to add credence to the decentralization and democratization components of the reform project. In time, the "democratization component" would acquire new, expanded (and probably unintended) meanings among those who from "the top down," wished to instill the project with more social and political content.

#### *The "bottom up" version*

Two events constitute the backdrop against which COPRE's project was gradually appropriated and redefined by popular forces. First came the food riots of February 27, 1989--which forced the state to give social issues a greater weight within proposals to reform the state; and the first directly-held elections for state governors which took place in December, 1990<sup>3</sup>. These elections had the effect of transforming the newly elected governors into the main protagonists in the emerging, "bottom up" version of the reform project (Ugalde, 1990, quoted in Beverly, 1991).

At this point in the evolution of the endogenous project, calls for "modernization" and "decentralization" came to occupy an even more central space and acquired renewed meaning within both the "top down" and the "bottom up" discourses. Within the "top down" version, decentralization was used in the most restrictive sense and simply referred to the transfer of centrally-controlled state functions to regional (states) and local (municipal) administrations. It particularly referred to those functions related to social services (health, education, sanitation, etc.). Conversely, within the "bottom up" project, decentralization was viewed as a much more diversified process which involved issues

ranging from the redistribution of wealth towards the most economically depressed regions and social sectors and the linking of grassroots organizations to decision-making mechanisms, to the increased popular control over the election as well as removal of public officials (Schönwalder, 1992).

#### *Advances in the reform process*

COPRE's reforms represent the most elaborate expression of the state restructuring process to date. In 1986, two years after its creation, COPRE proposed three fundamental reforms of the state apparatus: direct elections of governors, the strengthening of municipal powers, and the election of city mayors by popular vote (de la Cruz, 1988). In 1987, COPRE questioned the traditional political divisions of the country in seven regions as an effective planning base. Instead this Commission proposed strengthening state governments as principal loci of regional planning and administration. In 1988, COPRE drafted and the Congress passed two important laws<sup>4</sup> which became the juridical framework for the decentralization project (Gómez and López, 1990). In 1989, as the government attempted a "great U-turn"<sup>5</sup> in macro-economic policy, COPRE identified three major "distortions" in the functioning of the public sector. One was *centralism*, a progressive distancing between the loci of public decision-making of the central administration, and the loci of implementation (states and municipalities). A second was *clientelism* or the predominance of personalistic and political (party affiliation) criteria in the allocation of resources to the detriment of an alleged efficiency of free market mechanisms. A final distortion was *bureaucratization*, which meant the erosion of public sector efficiency due to a legal and normative framework full of red tape, ill-remunerated and demoralized bureaucrats, and labor unions' employment genera-

tion strategies based on clientelistic rather than meritocratic criteria (de la Cruz, 1988).

Based on this diagnosis, the government began to articulate and implement a series of state reforms. Included in these were *political reforms*, centered on the direct election of governors and mayors, *public administration decentralization* or transfer of some state functions<sup>6</sup> from the central state to regional states and municipalities, and *fiscal and financial decentralization*, especially in what concerned the transfer of financial resources to the regional or local levels. In some cases, public sector and fiscal decentralization also meant privatization of certain state functions.

Up to this point, the reorganization of the Venezuelan state was carried out without any direct external intervention. It is for this reason that we have characterized COPRE's as an essentially "endogenous" project, even though some of its programmatic or ideological underpinnings were inspired by a neo-liberal discourse gaining global popularity.<sup>7</sup> Yet, around 1983, when the project was still in its formative stages, Venezuela, like many other Latin American countries, experienced a debt crisis and the consequent insertion of the IMF and WB in the internal reform process. In fact, after 1990, when the World Bank called for "deeper and complementary" political and economic restructuring (WB, 1990:75) the differences between the two reform projects became progressively visible.

### **The Multilateral Agencies' Structural Adjustment Project**

#### *A brief retrospective view*

Venezuela's "mixed economy" model was built upon four basic macro-economic policies: foreign exchange controls, tight regulation of interest rates by the Central Bank, domestic price controls, and a protectionist commercial policy based on import licensing and controls.

An additional and very important component of the Venezuelan model was the increased power acquired by the state through its control of oil rents as guaranteed by a 1960 Constitutional proviso.

This model worked relatively well for approximately three decades. As time passed, however, the ISI model became a disguised mechanism for distributing oil wealth through subsidies, captive markets, and for obtaining government favors through clientelist ties (del Búfalo, 1992). In the late 1970s, the model began to collapse due, in great measure, to the drop in oil prices and the severe recession which plagued industrialized countries.

During Latin America's "lost decade" of the 1980s, successive Venezuelan administrations attempted various "heterodox" stabilization programs. Invariably, the tenor of all of these programs was marked by an emphasis on austerity measures and deflationary policies. The "heterodox" dimension, however, was given by the state's refusal to curtail its role as the main warrantor of economic growth and political stability. However, the recessionary tendencies provoked by these programs generated strong political pressures from nationally-confined economic sectors and, consequently, momentary policy revisions (Gómez and López, 1990). An example of the latter was the so-called "agricultural miracle policy" which was enacted during the period of 1983-1985. This policy provided incentives for domestic farm production through de-regulation of food prices and generous low-interest loans. Incentives were also given through direct portfolio requirements obliging commercial banks to allocate a portion of their resources to farmers.

In 1986 there began a process of debt negotiations. Yet, still buoyed by substantial currency reserves, the government renegotiated its debt without bowing to IMF conditionally (Beverly, 1991). Parallel to this,

Venezuela joined the group of Latin American nations attempting to create a "debtors' cartel" to strengthen their bargaining position vis-à-vis the international financial community. But, due in large part to an effective diplomatic campaign by the U.S., the debtors' cartel strategy floundered. On February 16, 1989, days after Carlos Andres Perez took office, the international banks refused to grant new loans to Venezuela unless it agreed to an *orthodox* stabilization program. Ten days later, on February 26 1989, the government signed its first Letter of Intent with the IMF.

The IMF Letter of Intent had three objectives. The first was adjusting the economy to the external shock created by falling oil prices. Second, Venezuela was to resume normal servicing of its foreign debt. Finally, access to foreign capital markets would be sought to provide for a sustained revival of economic growth (Félix, 1992; Zambrano, 1992).

These objectives were quite consonant with the functions assigned to the IMF upon its founding by the Bretton Woods agreement. But the financial strangulation now experienced by debtor nations provided the International Monetary Fund with an opportunity to assume new functions within the broader task of defining a new macroeconomic policy for debtor nations. In this manner, the IMF succeeded in establishing the following objectives:

- adoption of a single-floating exchange rate.
- reduction of fiscal deficits to less than 4% of GDP
- deregulation of markets for goods, services, credit, and wages.
- adjustment of public sector service tariffs (utilities and gasoline)
- substitution of direct for indirect subsidies consumer product subsidies (e.g. food, medicines) and the gradual elimi-

nation of input subsidies (particularly fertilizers).

- enactment of a new commercial policy opening the economy to foreign investment and trade, and meeting the conditions required to join GATT.<sup>8</sup>
- transfer of state-owned enterprises (banks, telephone, airline, sugar mills, hotels, port facilities) to the private sector (Republica de Venezuela, 1989).

Notably, the implementation of the above conditions surpassed the International Monetary Fund's institutional capabilities and required the intervention of the Venezuelan state. We are thus confronted with an interesting paradox whereby, on the one hand, the IMF deprives the nation-state of some of its decision-making capabilities and on the other, must strengthen at least those public entities that will be charged with the implementation of IMF policy (the Central Bank, Financial and Planning Ministries). Consequently, the national government is faced with an expanded field of contradictory demands emerging from the IMF, which demands fulfillment of the Letter's objectives and conditions, and from domestic social and economic forces, which demand attention to their own particular interests from the re-empowered state.

From the beginning, as is evident in the Letter of Intent signed by the Venezuelan government, agriculture and trade policy became two of the most contentious issues to be addressed during the negotiation period. The next two quotations, taken from the Letter of Intent and a World Bank document, give us a taste of some of the disagreements and compromises that characterized the bargaining process:

The government considers that certain goods and services should be subsidized. The preferential



interest rate for agriculture should be flexible, reaching a differential rate of 70% below the market rate (Republic of Venezuela, 1989).

Agreement was reached between the Bank and the Government during negotiations of the first adjustment loan, that liberalization of the agricultural trade regime would start in 1991. The Government postponed taking any measures to liberalize the agricultural trade sector regime until January 1991 (World Bank, 1990:44).

The signing of the Letter of Intent placed Venezuela on the list of eligible countries for the Brady Plan debt write-downs and reductions. The plan involved debts for US\$ 19.9 billion, equivalent to approximately 80% of the total public debt, annual interest rate deductions, and a seven-year grace period for payments of principal. The IMF agreed to provide \$ 5.1 billion over a three-year period, as well as \$700 million to support debt reduction. All of this improved Venezuela's chances to obtain new funds from multilateral agencies which commonly favor countries placed on Washington's approved list (Félix, 1992; Adams, 1992; Beverly, 1991).

On February 27, 1989, the announcement of the first measures contained in the adjustment package was greeted in Venezuela with four days of rioting and looting. This date marked a turning point in the state restructuring process. It was by far the clearest sign that an orthodox adjustment program could not be implemented at the expense of social and political considerations. Almost immediately the IMF, by this time operating in conjunction with the World Bank, began to design a series of "megaprojects" to address previously neglected areas such as education, health, and agricultural and rural development.

In this manner, the events of the 27th of February, and especially the response of both the government and the multilateral agencies, opened a door for the participation of domestic

subordinate classes in the bargaining processes that were going to accompany the implementation of adjustment policies.

This initial phase of readjustment also revealed that the management of allegedly neutral, macro-economic variables was insufficient to resolve the serious social and sectoral problems created by the crisis and, subsequently, the policy "package" aimed at resolving it. Hence, as the implementation of the package advanced, the pressure exerted by domestic forces led to the inclusion of sectoral and social policies in the policy package, and the corresponding strengthening of governmental ministries oriented toward domestic concerns. In the following section we examine this second phase in the implementation of the structural adjustment program, with special emphasis on its impact on those public agencies charged with the implementation of agricultural sector policies.

### **The Restructuring of the Agricultural Sector: The ASIL Project**

Since 1990 the World Bank, along with other multilateral agencies, came to occupy a central place in the design and implementation of different structural adjustment programs at the sectoral level in Venezuela. ASIL (Agricultural Sector Investment Loan Program) was one such program.

The same year, the first World Bank "mission" was sent to Venezuela to carry out a complete diagnosis of the agricultural sector, as a prerequisite for a World Bank sectoral investment loan. This was not a "conventional" economic diagnosis, but one focused on a particular set of "structural" problems: those allegedly created by state intervention. Armed with a theoretical perspective based on comparative advantages and competitive markets, as well as doctrinal prescriptions based on minimalist state intervention, the document

directed its harshest criticisms against the agricultural development policy designed and implemented by the Ministry of Agriculture and Livestock (MAC) for the 1990-1993 period. Three main policy objectives became the target of World Bank criticism:

- a food self-sufficiency policy, "regardless of its costs."
- a "fair" farm-gate price policy--covering costs of production-- "regardless of the farms' levels of efficiency."
- a policy of preferential farm interest rates, that "would not address the institutional problems faced by the intermediaries in the sector's financing" (World Bank, 1990).

Interestingly enough, the same three objectives, which became the target of the World Bank's criticisms involving the agricultural sectors of Latin American debtor nations, have constituted the backbone of the industrialized nations agricultural policies for decades. They are responsible for the industrialized countries' achievements in basic food self-sufficiency as well as for their phenomenal increases in food exports (Llambí, 1993).

In any case, these policies were identified by the WB as the structural problems to be addressed by the new sectoral adjustment programs. From our own theoretical perspective, these policy areas are but a symptom of the more fundamental structural problems faced by Venezuela's agriculture--and which were unsuccessfully resolved by former policy programs as well as ignored by the WB in its diagnosis. Briefly, we are referring to such structural problems as: the oil rent-induced non-competitiveness in domestic production;<sup>9</sup> the prominence of oligopolistic markets--particularly in the agro-food sector--and inherited from the import-substitution era;<sup>10</sup> and a highly skewed income distribution also inher-

ited from the ISI era. Even more serious than neglecting these domestic structural problems, was the Bank's failure to provide a real diagnosis of Venezuela's possibilities and constraints for participating in the international market. This is most surprising given the emphasis placed by the World Bank on the development of an open economy and the promotion of traditional and non-traditional exports (World Bank, 1990).

The World Bank also disapproved of Venezuela's agrarian reform and, most specifically, of the restrictions inhibiting the use of farm land as collateral. While this may be a valid criticism, the solutions suggested by the World Bank and its allies were highly problematic. Bank officials argued for a complete de-regulation of the land-market. Under existing inflationary pressures and the predominance of speculative investment in the present Venezuelan economic juncture, this could have disastrous consequences for most Venezuelan farmers.

Given the above, the next logical step became the establishment of an Agricultural Sector Investment Loan (ASIL). However, before this occurred, and rather unexpectedly, the government decided to expedite the economic opening of the agricultural sector and changed the official date, established in the Letter of Intent, from January 1991 to June 1990. Presidential Decree 988 proclaimed a unilateral opening of the economy via a leveling-off of all tariffs and the gradual elimination of all non-tariff barriers. However, between November 1990 and March 1991, a series of complementary decrees and resolutions established a certain degree of protection for "sensitive" industrial agro-food sectors such as animal feed, oilseeds and basic grains.<sup>11</sup> Furthermore, the government issued a new basic food basket price list, thus maintaining some price controls, though deregulating the rest. These decrees became the *de facto* agri-

cultural policy as any other intervention was deemed unacceptable for a country allegedly implementing a "sectorally-neutral" commercial policy (WB, 1990).

In February 1991, during its second "mission" to Venezuela, the WB completed the final draft of the ASIL document. The project, scheduled for the period 1992-1996, is co-financed by a WB loan of US\$300 million, an IDB loan of US\$300 million, and Venezuelan government disbursements totaling US\$500 million, which included budgetary allocations (US\$300 million) and the placement of bonds in the international financial markets (US\$200 million). The project has three main components.

The first is a *public sector investment program*, which includes rural electrification, irrigation, drainage and rural roads subcomponents. The second, a *sector policy reform program* includes:

- **agricultural trade reform** which means the gradual elimination of all import licenses and all import restrictions, as well as the dismantling of the coffee and cacao Trade Boards.
- **agricultural financial sector reform** which indicates the elimination of all interest rate subsidies and of credit and portfolio requirements to the commercial banks; as well as the merging of all agriculturally-related public financial institutions into a second-tier public fund working through private banks.
- **agriculture and food domestic market "pricing" reform**, which is the complete deregulation of all food, farm and input prices, with the exception of some market "sensitive" farm commodities (animal feed, oilseeds, basic grains, and sugar) and "targeted to the poor" food subsidies (e.g. a milk subsidy program).

- **a rural land census** "to pursue to a conclusive stage the agrarian reform program through delivering definitive property rights to more than 60% of all the lands subjected to this process." (MAC, 1991).

Third, there is an *institutional strengthening program*, guided by the criteria of de-bureaucratization and modernization, de-centralization and privatization. The *de-bureaucratization and modernization of the sector's institutional apparatus* would be achieved through various mechanisms such as an outright dismissal of a large number of state employees and their replacement with a smaller but better qualified staff. *Decentralization* would be accomplished through a reorganization of MAC's state and municipal units (UEDAS and AMAs) so that they would "assume the main responsibility in the preparation and implementation of the programs affecting the interests of its own localities" (MAC-PITSA, 1992). Finally, *privatization* of some functions and areas such as storage and commercialization, plant health and sanitation, technology transfer, etc. would occur.

It is beyond the objectives of this paper to discuss the merit (or lack thereof) of these profound agricultural policy and institutional changes. However, a few comments are in order regarding ASIL's role in the "strengthening of public institutions," and in shaping the processes and agencies connected with agricultural policy-making and implementation.

From early on, WB officials were aware of some of the social costs involved in their proposed structural reforms. The ASIL proposal document mentions, for instance, that:

(These policies) could result in short-term income losses for some farmers and the possible reduction of total domestic supply of non-competitive

commodities, possibly requiring an increase in food and raw material imports to satisfy demand for agricultural products. (World Bank, 1991:28).

World Bank officials also understood that their intended reforms would generate strong political opposition, particularly from domestic-oriented farmers who make up the largest proportion of Venezuelan farmers. In order to assure both passage and implementation of the ASIL project, the WB devised a strategy whereby the content and successes of other government initiatives would be directly or indirectly tied to support for the project, thus presumably insuring its irreversibility.

We can identify at least three tactics of this strategy employed during the negotiation and initial implementation stages of the project. The first tactic was loan "cross-conditionality," i.e. the sequential release of loan monies tied to the gradual fulfillment of objectives contained in all the programs sponsored or dictated by multilateral agencies. The second tactic consisted of pressing the Venezuelan government to establish international agreements with multilateral institutions such as GATT and to sign bilateral accords with other countries based on the same principles underpinning the reform program.<sup>12</sup> The third tactic, which is perhaps the most relevant to this work, was to attempt to insulate government officials from domestic political pressures during the initial negotiations as well as during the early implementation stages of the project. The most sensitive discussions were held behind closed doors and relevant information was invariably stamped "confidential" or "for limited circulation." In fact, the national Congress approved the project based on a draft which detailed the government's financial obligations but failed to mention any of the political economic conditions it had to fulfill and which had been discussed at the executive level.<sup>13</sup>

Despite successful maneuvering on the part of multilateral agencies and their allies, the implementation of project components and pre-requisites have experienced considerable delays. Congress officials have been dragging their feet in the passage of those laws considered by multilateral agencies as indispensable prerequisites for the release of loan funds. In addition, the restructuring of MAC itself proved to be a more difficult task than anticipated by the designers of the project. There is no question that such delays were at least partially the result of mounting political opposition from farmers, public officials and important political sectors, which were profoundly and negatively affected by the project.

By June 1991, a persistent climate of political instability had led to a partial reversal of the most extreme austerity measures contained in the adjustment program. Price regulations and direct food and medicine subsidies were re-established in some cases as popular unrest and political instability mounted. This served to confirm the fears expressed in initial WB documents and presaged the reversal of the reform program which bank officials had fought so hard to prevent.

In June 1993, the Venezuelan Supreme Court suspended President Carlos Andrés Pérez who was accused of corruption. The interim president appointed by Congress, Velasquez, as well as his cabinet appointments, reflected the new national consensus that the entire package of macroeconomic and state reforms had to be revised. A clear sign that the reform program was entering a period of reversal came with the appointment of the new Minister of Agriculture. Unlike his predecessor who had been recruited from the upper ranks of Mavesa (a major food conglomerate associated with Cargill), the new minister was widely known as a spokesman for those Venezuelan farmers opposed to the reforms.

Similar to what had occurred with COPRE's reform project, a "bottom up" version of the WB-led adjustment program has progressively emerged. The latter calls for a selective and negotiated opening of the economy and increased state guidance of domestic market mechanisms. This new "heterodox" structural adjustment version has also been pushed from "below" by newly elected state governors. Capitalizing on the central government's almost total loss of legitimacy, the new governors have banded together to press for a more "federalist" approach to and a larger say in the design of sectoral policies affecting their own particular regions. MAC officials, following World Bank directives, interpreted the decentralization process in its most formalistic and limited sense to mean the administrative decentralization of public agencies. In contrast, the new governors have wielded the weapon of the new Law of Decentralization to demand that, in matters concerning agricultural and rural development, the decision-making powers be removed from the central government and transferred to regional and local governments (see for example Sánchez Meleán, 1993). As these de-structuring and re-structuring movements are still in their initial stages, the final outcome of both the overall and sectoral state restructuring processes in Venezuela is still undetermined.

### *The Nation-State in the New Global Order: Lessons from the Venezuelan Case*

As many have stated before us, the state apparatus is a highly heterogeneous set of institutions in which a complex configuration of class and non-class forces are deeply imbedded. However, within the current globalization context, and particularly in the context of "exogenously-induced" structural adjustment

programs, the particular configuration of state institutions and social forces found within Latin American nation-states has become increasingly complex. In Venezuela, for example, state officials must now respond to an increasingly diversified and expanded constituency made up of both national and transnational social agents (TNCs, other states, multilateral agencies). Consideration of these changes makes it imperative to reconsider their theoretical implications for state theory, and particularly for notions such as state autonomy and state power.

Our discussion of the Venezuelan state, and most specifically of the agricultural sector's reforms sponsored by multilateral agencies, revealed that such reform projects are effectively "exogenous." This is meant not only in the limited sense of the term exogenous whereby the project was initially conceived by non-Venezuelans. But in the more substantive sense whereby only a fraction of state officials took part in the negotiations leading to the actual approval and implementation of the project. In other words, the ASIL's "top down" project presupposed from the very beginning a high degree of accountability from government officials to the multilateral agencies, as well as a greater degree of autonomy from domestic subordinate classes. Consequently, the structural reforms dictated by the project lacked the support of Venezuelan farmers and the great majority of public officials who reluctantly accepted the conditions and ideological premises contained in the restructuring project. Only a handful of Venezuelans enthusiastically embraced the project's objectives and the ideological discourse within which they were framed. Thus the "top down" version of the reform project never achieved the status of a "national" consensus and has progressively lost the limited dose of political legitimacy it had at the beginning.

The overwhelming lack of support for both "top down" versions of the reform project (COPRE's early reform proposals as well as those of the multilateral agencies) does not contradict the also widely-held view that the restructuring of the nation-state was imminent. Large sectors of the population condemned the damaging effects produced by these top down versions of the project but, by the same token, supported the reform idea by formulating their own "bottom up" version. Thus the initial rejection to the reforms is best understood as a rejection of the undemocratic approach followed by the multilateral agencies in their negotiations with Venezuelan government officials. Multilateral agency officials, excessively preoccupied with the achievement of short-term economic efficiency, banked on their alliance with a limited, and perceived as strategic, sector of the population. This strategy failed to contain the onslaught of opposition from excluded sectors and undermined the long-term political legitimacy required to carry out the reforms.

By contrast, COPRE's state "modernization" reforms, although initially conceived by a small entrepreneurial elite, and later adopted by the government, enjoyed a high degree of public popularity. COPRE-propelled reforms have indeed become part of a long-term reform project extending for over two decades. Throughout this period, new agents have been incorporated into the project, contributing to changes in both its objectives and strategies. Importantly, among such agents are the multilateral agencies which have modified their own proposals so as to make them compatible with the "endogenous" project's goals and objectives.

Furthermore, despite multiple shortcomings, the response articulated by the coalition of "excluded" popular sectors, has been to appropriate COPRE's reforms and infuse them with higher democratic content. This is par-

ticularly clear in the case of COPRE's decentralization reforms which have provided new spaces for democratic fora. But, conversely, the reform process has also generated a higher degree of concentration of strategic decision-making power among fewer state officials. It is clear then that the reform process is riddled with contradictory, democratic and anti-democratic tendencies, underscoring the indeterminacy of the broader restructuring processes currently shaped by global forces.

State autonomy has proven to be a highly problematic concept. For our purposes we will treat it as a descriptive concept referring to state officials' capacity to mediate between a complex and expanded set of "external" and "internal" forces in the course of designing and implementing socio-economic policies.

As the above discussion suggests, state autonomy can acquire different meanings and magnitudes depending on the particular framework of institutions and the representational system within which policy-making and implementation take place. In the Venezuelan case, the relative insulation of the executive/multilateral agencies from subordinate classes led to a misreading of these classes' oppositional consciousness and organizational capacities. The fact that the reforms were framed within Venezuela's particular version of a democratic system of representation and political discourse provided an opening for countervailing strategies as well as expanded representation of subordinate forces at different levels of the civil society and state apparatus. The highly intrusive presence of transnational agents within the Venezuelan executive branch had exposed the latter's class bias and seriously eroded the legitimacy of the state. The volatile environment created by this situation ultimately led to a reconfiguration of forces within the state system, at least partially contradicting transnational agents' immediate interests--and thus undermining the pre-cond-

itions for the capital accumulation course charted by such agents.

As Potter (1992) succinctly puts it, "one part of the state may be more or less autonomous (the executive vis-à-vis the legislative) than another vis-à-vis the domestic economy or the global economy" (Potter, 1992:223). Like relative autonomy, the concept of state power must be further problematised if one is to take into account the political and economic conditions experienced by Latin American and other Third World countries in the current global context. Following Jessop (1982:225), we may view state power as "[the form (organizational, representational)-determined, institutionally mediated] effect of the balance among all forces in a given situation." In other words, state institutions (themselves a condensation of class forces) may be more or less capable of producing significant policy "effects"--given, among other things, the particular resources/strategies available to state agents and the set of structural constraints in which policy making and implementation takes place. Within the current context of globalization, a central theme has been whether, in the shorter or longer term, nation-state power (especially to direct the process of economic growth and mediate between different classes) is being eroded vis-à-vis other "supra-national" power centers such as transnational companies (TNCs) or multilateral agencies. Some also view this erosion as asymmetric and thus most severe among "weaker," or "Less Developed Countries" (LDCs)--which are faced with more severe structural constraints (Pitelis, 1990; McMichael, 1993; Hymer, 1979).

In the Venezuelan case, the IMF-WB's initial project for restructuring indebted nation-states, did initially propel a process of "national" deregulation and the shrinkage of state functions akin to what some have called

the emergence of a "minimalist" state (Vacs, 1992). As our discussion suggested, however, these transnational agents have been forced to progressively shift their initial focus away from state "de-structuring" (de-scaling, de-regulating, de-centralizing) and toward "re-structuring" (up-grading, re-regulating, re-empowering) the state apparatus. But as Thomas (1989) indicates, the "paradox of the orthodox adjustment programs" was always that:

...external actors are attempting to use what they consider the key obstacle to development --the state-- as the primary weapon in the struggle to reform third world political economies." (Thomas, 1989:116).

The analysis of the COPRE project also reveals that, while a shrinkage of the functions fulfilled by the central state did take place in the short run, in the long run, such functions were re-assigned to (or appropriated by) regional and local administrations. But we would even argue that the "modernization" of the central state has led to a partial re-strengthening of the central state administrative apparatus. This is due to two fundamental changes. On the one hand, while the functions retained by the central state are lesser in number, they are of greater strategic significance (e.g. law and order, management of macro-economic variables, international relations, medium and long-term planning). On the other hand, the central state has been endowed (largely by multilateral agencies) with enhanced technical capabilities for fulfilling these strategic functions. However, it is too early to tell whether subnational public entities, now charged with fulfilling functions previously attached to the central state, have the capacity to do so effectively.

## Conclusions

The analysis of these two state reform projects in Venezuela suggest that while in the short term the nation-state experienced a process of contraction, viewed from a longer-term perspective the opposite appears to be the case. In other words, we are not necessarily confronted with a diminished but a transformed state. The extent to which these transformations are consonant with a particular accumulation trajectory is still to be seen.

While it is difficult to arrive at empirical generalizations about nation-states—even within the limited space of the Latin American continent—it is even more difficult to formulate theoretical conclusions that would address questions such as those posed at the beginning of this paper: how are "weak" states being transformed in response to the emerging global environment, and what does that tell us about our current notions of state power and autonomy. In the remainder of this paper we wish to briefly outline a limited number of conclusions.

It would be hard to deny the fact that globalization compromises the capacities of nation-states to regulate their own economic entities and social relations. It also seems clear, as other authors have suggested, that such erosion of power is asymmetric and thus globalization reproduces the hierarchical structure constituted by the differential powers of "weak" and "strong" states (Pitelis, 1991; Picciotto, 1991).

However, this is not sufficient evidence to argue that the existence of the nation-state (as a capitalist state form) is in imminent danger—even in today's "enlarged third world" where, not only in spite of the structural reforms but because of them, the nation-state is selectively re-strengthened. Contrary to the position taken by some of the authors discussed in the introduction, the historical conditions which

led to the emergence of territorial-bounded nation-states as a mechanism for mediating among social classes have not yet disappeared. The analysis of both "bottom up" versions of the Venezuelan state reform project, for example, illustrated the persistent relevance of the nation-state for generating political legitimacy as a necessary component of accumulation. But, seen in a different light, the analysis also reaffirms one of the most important insights of Marxist-oriented state theories: that the presence of dominant class fractions or blocs (in this case the transnationalized fraction of industrial capital) within the state system does not guarantee the automatic articulation and internalization of a corollary hegemonic project or the success of a particular accumulation strategy (even in "weak" states) (Holloway and Picciotto, 1978; Poulantzas, 1973; Gramsci, 1971; Jessop, 1990). These must still be secured through effective class practices, including the articulation of a "nationalist" discourse, and the consolidation of an adequate balance of class and non-class forces. Thus, contrary to the capital logic school, the needs of dominant capitals do not always dictate the actual forms that state institutions or projects take, though we may postulate them in the abstract. True, capital mobility may allow such dominant capital sectors to bypass a particular nation-state unwilling to submit to the new orthodox discipline and thus risking its badly needed participation in the global economy. But surely this has limits and costs as well, given that the advantage of capital mobility (or the threat of capital mobility) is largely premised on the existence of competing nation states (Pitelis, 1991).

This leads us back to the need to re-examine concepts such as state power and state autonomy. In the past, "the emergence of Welfare States in the developed world and of National Populist regimes in the less-developed economies" (Vacs, 1992:3) gave the state



significant power to mediate between social classes. Today, the already mentioned erosion of nation-state institutions seems to threaten this capacity. Current restructurings of nation states, especially of "weak" states, some argue, are aimed at the reinforcement of just those institutions that serve the needs of transnational capital and its agents (e.g. finance ministries). Conversely, these restructurings are aimed at weakening those institutions oriented toward the formulation of a domestic project, e.g. sectoral planning ministries, (McMichael and Myhre, 1991; Picciotto, 1990)--thus weakening the state's power to steer domestic processes. Furthermore, the highly intrusive presence of transnational agents (whether of national or foreign origins) within nation-state systems exposes the class character of the state, thus compromising its relative autonomy and rendering its legitimacy function ineffective.

Despite the unquestionable merit of these observations, they are not empirically exhaustive or sufficiently long-term to support a definitive prognosis of the future of the nation-state as a historical form of the capitalist state. Moreover, as the preceding empirical analysis illustrated, the reorganization of state systems is determined not only by structural forces and a particular "logic of capital" but by conjunctural factors and contingencies such as the particular balance of social forces and institutional structure present at each juncture. Undoubtedly, transnational forces such as those represented by multilateral agencies enhance the complex determinacy of state power and autonomy. But the effect of such determining factors is far from clear at this point. Additionally, the increasingly blurred boundaries between various social categories, political forces, and ideologies render the process even less determinate. Such indeterminacy is observed not only at the national, but at the supranational level as well. Here,

attempts to create or recreate a transnational regulatory system (which could theoretically become the nation states' substitute) has also met with serious difficulties as revealed by the failure of the three post-War superpowers (US, Japan, and the EC) to agree on new rules of the game.

In conclusion, globalization theory, we believe, may have been too quick in its generalizations about the current and future fate of the nation-state. The restructuring of current state forms is a highly heterogeneous and contingent process, suggesting the need for a substantial dialog between additional research and state theory.

## Notes

1. For a review of this thesis see Block, 1987.
2. We use COPRE primarily as a shorthand to identify this particular version of the project which, although guided primarily by this institution, its long-term trajectory involved several institutions beyond COPRE.
3. In this occasion, the incumbent party, Action Democracia (AD), lost some very important party strongholds in the interior of the country.
4. Ley Orgánica de Descentralización, Delimitación y Transferencia de Competencias del Poder Público; and Ley Orgánica del Régimen Municipal.
5. In 1989, the term *El Gran Viraje* (the Great U-Turn) was used to name the VIII National Plan. This was a short-hand expression to refer to the entire package of adjustment and economic restructuring programs. It is interesting to note that while in the U.S. the term had a negative connotation, in Venezuela the opposite was the case.
6. The functions to be decentralized included "social services" (education, health), some public utilities (distribution of electricity and water), and rural development.
7. We identify here neo-liberalism as the gamut of economic doctrines which privilege the market vis-à-vis the state in the allocation of resources. In its most orthodox guise, the neo-liberal discourse

views state intervention as only introducing unnecessary distortions. Less orthodox versions give the state a role in correcting market failures or market inefficiencies, particularly when unbearable social consequences arise. In these cases, the preferred instrument for intervention is that of targeted social subsidies. What is unacceptable in all versions, however, is a redistributive role of the state.

8. Venezuela's first application to GATT membership was rejected when it failed to comply with all of GATT's requirements, especially those related to tariff reductions.

9. In the WB document there is this only one reference to this problem,

the government should continue to explore the feasibility of an oil stabilization fund to reduce the possibility that the exchange rate would again become overvalued in the face of short-lived petroleum price increases (WB, 1990:73).

That this fund would be insufficient to solve this problem, is evident in the following statement:

tight monetary restraint has led to appreciation of the real exchange rate, discouraging recovery through exports and encouraging a shift to external suppliers despite conditions of severely unemployed resources. Allowing both interest rates and exchange rates to be determined by market forces in this context has been seriously adverse for recovery (Sheanan, 1992:40).

10. The significance of this is that:

(in an environment characterized by) monopolistic competition and financial speculation... a perverse relationship has been established between the exchange rate, inflation, the interest rate and public spending. This generated an acute depression, whereby a structural inflation previously unknown in Venezuela exerts a rigid pressure over budgetary spending (del Búfalo, 1992:9).

11. The "price bands" mechanism was previously adopted by Chile after the collapse of its domestically-oriented agricultural sector in 1983.

According to Powell, in Venezuela the price bands are calculated according to the following procedure:

Reference prices for each of the commodities in the scheme are selected from international markets and the moving averages of the last five years of monthly reference prices are calculated. If the international commodity price falls further than a specified percentage below this reference price a tariff is levied at a rate commensurate with the extent to the fall in the international price below the band (Powell, 1992:5).

12. One of these bilateral agreements was signed in April 1991 with the US, establishing a US-Venezuela Commission on Trade and Investment.

13. These statements are based on confidential documents secured by the authors.

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