# COMMENT

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In general, René Salgado's argument that FEDECAMARAS is not an overpowering pressure group whose every policy position is accepted by the Venezuelan government is obviously true, and probably for the reasons he cites: the mildly leftist ideology of the government and the country as a whole, internal divisions within the FEDECAMARAS, the monolithic effect of government control over oil, and related factors. Actually, this situation should be regarded as both healthy and normal because it would be truly a sad state of affairs if FEDECAMARAS held sway over all government policies affecting it, or if FEDECAMARAS represented the "dominant class" and could divert public benefits to its exclusive use.

All of the above is a long way from questioning, as does Salgado, Robert Bond's contention that FEDECAMARAS is a powerful actor in Venezuelan economic policy-making. Perhaps Bond exaggerates, but I believe that the influence of FEDECAMARAS cannot be so easily explained away. Despite Salgado's argument, the case of guaranteeing preferential dollars for the payment of private debt does not at all support the hypothesis that FEDECAMARAS is a weak actor on the Venezuelan political stage.

The legitimacy of the issue needs to be addressed. In the first place, one must place a case study in its proper context. For an example of pressure-group activity to be a critical test of the power of the group, the example itself must be one in which the group seeks some reasonable benefit. For instance, if American car manufacturers argue against mandatory seat belts and lose, does it follow that the manufacturers are weak? Each society has a particular set of values that determine the limits of special-interest pleading.

In what sense was the FEDECAMARAS position legitimate in these terms? In the first moments of the debt crisis at the beginning of 1983, no one had much information, with the result being that any policy position was based on conjecture. President Herrera's initial promise to give PDR (the predevaluation rate) for private-sector debt was made when it appeared that the whole economy might stop dead, and when no one knew the dimensions of the debt or even who held it. With the gradual accumulation of technical information (during which time Banco Central President Leopoldo Díaz Bruzual made some telling arguments), it became obvious that many of the debtors were individuals and companies with large holdings of foreign currency abroad. Another important category of debtors were holders of mortgages on real estate abroad. A third major group of debtors were local merchants who owed accounts payable to foreign suppliers for unusually large imports of goods in 1982 (Venezuela lived many months on its inventories, and merchants easily made high profits on sales by selling the goods at postdevaluation prices). With this information, both the Herrera and the succeeding Lusinchi governments issued interpretations of the basic decrees in order to ensure that "nondeserving debtors" would not have preferential access to foreign exchange.

The point to be made is that many politicians, citizens, economists, and intellectuals and even businessmen had small patience with the complaints of these debtors and agreed with government efforts to limit the subsidy. FEDECAMARAS may have supported all the debtors in public statements, but within the organization, much less real cohesion existed than might appear to be the case from a superficial view. The political legitimacy of the PDR for debtors depended on only one argument: that it was necessary to bail out companies with large liabilities abroad in order to avoid financial instability, mass bankruptcy, and unemployment. Conversely, it was not legitimate in the public view to give subsidized foreign exchange to any company on the mere grounds that it was hurt by devaluation. Devaluation only works when it hurts someone, after all. Two classes of debtors could make more or less legitimate arguments for protection under this rubric: financial institutions and industrial companies. In fact, these were the companies that finally benefited most from definitions of debts to be covered by PDR. After all its traditional blather about excessive government intervention, even FEDECAMARAS had to twist some of its arguments to make the subsidy sound like a matter of national interest and not just a favor to the wealthy.

### *Interest-Group Theory*

Salgado seems to assume that a single organization called FEDECAMARAS represents the entire business sector. This notion is a misconception, of course—as imprecise as saying that the AFL-CIO represents "labor" in a unified way on questions of tariffs. The "unity" of FEDECAMARAS should be viewed in more sociological depth. The industrialists and old money—the traditional groups in general—may be perceived as having a certain disdain for the merchants. Culturally, the upper classes with real influence may also disdain the nouveau riche *mayameros*, who bought apartments in Florida that they could no longer hold onto after devaluation.

Salgado does recognize that FEDECAMARAS is not always united, but he claims too strongly that the group was united in this case. Venezuela's political culture permits and even fosters public consensus, but at the same time, the system has mechanisms of private consultation that allow politicians to detect how much real opposition they may expect regarding any given policy.

In the case of the PDR and many other instances, FEDECAMARAS can be shown to be powerful indeed, that is to say, powerful in relation to what one normally expects of this kind of "encompassing" group interest. To quote Mancur Olson, who quotes E. E. Shattschneider, "Pressure politics is essentially the politics of small groups" (Olson 1971, 145). The larger the group and the more diverse its membership, the less likely it is to gain a disproportionate (or perhaps illegitimate) share of public resources.

What FEDECAMARAS gained was not inconsiderable: some twenty-two billion *bolívares* in savings on amortizations of authorized debt. Salgado's article gives the impression that approval of 45 percent of private applications for special treatment was little. As I have pointed out, the mortgage holders, some merchants, and those with known assets abroad did not receive any subsidy. But it should be made clear that the big debtors (particularly the private electric company of Caracas) and the financial institutions holding most of the registered debts have been supported by the government, although not as extensively as they might have wished. When another major devaluation occurred at the end of 1986, the government once again made special allowance for preferential treatment for the authorized debt, after the usual haggling over exactly how much the subsidy would be worth.

*General Business Influence*

If Salgado wishes to argue that FEDECAMARAS per se is weak while business interests in general are strong, he would perhaps stand on stronger ground. But in fact, he treats FEDECAMARAS as the embodiment of business interests and uses the two terms interchangeably. When I argue with Bond that FEDECAMARAS is strong, I too use FEDECAMARAS as an umbrella term to represent the business classes in general.

The so-called lack of influence of FEDECAMARAS (that is, of the business class) should be viewed alongside the fact that three key ministers of finance were explicitly allied with important financial-industrial-commercial groups. Luis Ugueto came from the Boulton Group to the Herrera government. Arturo Sosa, who replaced Ugueto, spent his entire time in the last year of Herrera's regime fighting to save the PDR for financial institutions (he is also president of Finalven, a finance company whose debt was notorious). Manuel Azpúrua is another representative of the old money who was named by the incoming Lusinchi government in 1984. In short, both governments have tried to include defenders of the business class in important positions.

The only person in the Herrera administration who complained openly of the prospect of giving PDR to the private sector was Banco Central President Díaz Bruzual, the first Banco Central president in democratic history thrown out of office before the end of his term in the first days after the change of government in 1984 (FEDECAMARAS had many allies in its opposition to Díaz Bruzual, however). The only minister in the Lusinchi administration who complained openly about granting PDR for principal payments and 7.5 bolívares to the dollar for interest was Luis Matos, and he too was fired.

A point that fails to come out clearly in the Salgado article is the bargaining element in the relation between FEDECAMARAS and the government. An implicit contract was agreed upon by all under President Lusinchi's Pacto Social (an idea from the 1983 campaign) that the burden of the crisis should be shared by all parties. Labor would moderate its wage demands. FEDECAMARAS would increase employment by 10 percent in return for PDR for legitimate debts. The government would install an austerity program, including cuts in high managers' salaries in the oil industry. Representatives of the three sectors would sit in the council on wages, salaries, and prices to negotiate future changes. This procedure was hardly a sign of abject weakness in FEDECAMARAS, although it was illustrative of the Venezuelan way of policy-making.

The fact that foreign banks pressured the Venezuelan government to grant preferential access to foreign exchange to local debtors is not a sign of the weakness of FEDECAMARAS but evidence that the private sector did not completely lack allies. It would be naive to think that no contacts were made between Venezuelan business owners and their foreign creditors. The complexity of the relations is once again illustrated by the fact that the chief representative of one of the largest private debtors was himself Minister of Finance, simultaneously bargaining with the IMF and foreign banks.

Salgado's article supports, rather than refutes, Bond's findings. What Salgado's study provides is an account of an important political actor, whose voice was constantly heard on the political scene, whose opinion was always taken into consideration, and whose representatives were included in the government's overall scheme for a tripartite social pact composed of business, labor, and government. As Bond would predict, where cohesion was weaker within FEDECAMARAS (as on the legitimacy of the "commercial" debt), fewer concessions were won from the government. Where cohesion was high (as in opposing the president of the Banco Central and the head of the planning agency), the government responded. Finally, where public awareness was relatively high, as among consumers importing goods at 7.5 (and later at 14.5) bolívares per dollar who resented the debtors who were getting dollars at 4.3 with no strings attached, the government decided to renege partially on the original commitment to allocate preferential foreign exchange for both capital and interest payments. Needless to say, this course was made politically feasible by the resounding electoral loss that the voters dealt to the former government, and later by the true financial stringency caused by the fall in the price of oil. In other words, as Bond argued, the power of FEDECAMARAS varied inversely with the level of awareness of other social sectors.

An additional point needs to be made in closing. Salgado's article does raise an interesting issue: how do pluralistic societies, particularly in distributive systems like Venezuela's, mete out the benefits to different groups? The case of the decisions (there were never single decisions) on the private foreign debt in Venezuela illustrates excellently the complexity of interest-group negotiations and the real success of the Venezuelan system in processing demands, analyzing them, and coming (albeit messily, slowly, and with little grace) to a somewhat rational set of policies that satisfied different groups enough to keep the social peace. By definition, such an arrangement implies that no single group consistently gets all its demands met.

The Venezuelan financial crisis has yet to produce social revolt, insuperable class or group struggles, or party strife beyond normal limits. In their final chapter of *El caso Venezuela: una ilusión de armonía*, Naím and Piñango (1984) make much of the Venezuelan way of conflict avoidance. The Venezuelan habit of buying off contending parties with oil income or other favors has its problems in terms of sometimes repressing serious treatment of the real problems of the day. But with sufficient calibration of healthy limits for political discourse, the Venezuelan model of bargaining problems and employing the pork barrel seems to work. In this system, each corporative actor (business, labor, bureaucracy, and the other sectors) has its share of power, and its legitimate claims are recognized by the other parties. Could it be that Bond and Salgado are looking at the same half-empty—or half-full—glass?

## REFERENCES

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