

# Is Venezuela Heading Towards Prout?

by Andy Malinalco (2007)

Today there are countless movements and struggles which are fighting for the creation of a more just, sustainable, and human society, that guarantees individual security and freedom. Of all these, many progressive people around the world see the Bolivarian Revolution in Venezuela as the one with the greatest possibility to transform social reality in South America.

Prout (Progressive Utilization Theory) is a socio-economic theory with a holistic perspective which also seeks to create a world of social justice and replace capitalism. It was conceived of in 1959 by the Indian philosopher and spiritual leader Prabhat Ranjan Sarkar (1921-1990). Prout is not a rigid economic doctrine, like the neoliberal policies, but a collection of principles which can be applied according to the requirements of any given situation. It is a model which opposes all forms of oppressive and subordinating domination and exploitation, and rejects capitalist economic growth based on the profit motive as an end in itself. Instead, Prout proposes economic democracy, decentralization, participatory democracy, regional autonomy and self-sufficiency and takes the well-being of all living beings as the guiding principle of social and economic life.

While the Bolivarian Revolution proceeds mostly through trial and errors, Prout is a conceptually clear and coherent vision, which until now has only been put into small practice by a few local communities for a few purposes in some projects in a few countries. This article will compare the main goals of the Bolivarian Process with Prout; from this comparison we can conclude that Venezuela is moving towards some of Prout's key principles.

## **The path leads through conflicts**

The Bolivarian transformation of Venezuela, which began on a national scale with the electoral victory of Hugo Chávez in 1998, does not work with a clearly defined doctrine. In this way it seems similar to some of the current movements standing against the neoliberal world order (e.g. the Zapatistas, the World Social Forum, People's Global Action, Reclaim the Streets, etc.). Its shape is drawn by the constant clashes with both the bitter Venezuelan elites, and the US government and its allies. It is these conflicts, not some revolutionary doctrine, which make it more and more radical.

For example, during the first years, Chávez – besides his determined anti-imperialism – spoke about some 'third way' and 'capitalism with a human face'. Now he has changed this for anti-capitalist rhetoric, and since the beginning of 2005 he is propagating "Socialism of the 21st Century" as the direction for Venezuela, although he has not clearly defined what he means by this.

Marxist professor Michael Lebowitz<sup>1</sup>, who is one of the ideologues of the Bolivarian process, explains the economic blueprint of the Chávez government in the first phase. This was a strong State rejecting neoliberalism and controlling the key industries, bringing the informal sector into the legal economy by supporting the formation of cooperatives. Yet all the while,

the backbone and driving force of the economy remained private capital and large capitalist corporations.

This concept changed due to the impact of the coup and the illegal oil strike in 2002-2003. The viciousness of these two attempts to bring down the government, and the political radicalization of the masses who organized themselves in resistance to these, caused a shift in the government's rhetoric towards an anti-capitalist stand and calling for an alternative solidarity economy.

Every attempt by the opposition to get rid of Chávez has instead strengthened his position and opened new opportunities for the Bolivarian revolution. The attempted coup in 2002 not only led to a cleanup of the military command, but it made it clear to the supporters of Chávez in the slums that if they want to keep their revolution, then their activity, participation and organized actions are very much needed. The coup attempt turned out to be the most efficient mobilization of the Chavistas.

The 'general strike' by company owners aligned with the opposition at the end of 2002; and so this led to the beginning in 2003 of possible examples of workers' management in practice, and the increasing resolve for government control of the national oil company PDVSA<sup>2</sup>. Since then, PDVSA's profits are funding the government's popular 'missions', which were started in 2003. The food crisis experienced during the days of the strike created the realization that safeguarding the nation's food security was vital. The military opened shops on the main roads of Caracas, selling basic foods under the market price. These stores turned out to be so popular, that after the crisis ended, a chain of such stores was broadened to the whole country, within the framework of Mission Mercal.

## **Prout principles in the Bolivarian Revolution**

So while the Bolivarian Revolution doesn't have a coherent and detailed vision about the future society, its goals of solidarity and collective welfare, which caused it to turn its back to capitalism, correspond to some of the goals of Prout: to minimize inequality, achieve national self-reliance, and create the conditions for economic democracy where everyone is able to satisfy their basic necessities. In particular, provision of basic foods at affordable prices is an important aspect of 'people's economy' in the Prout framework.

The Bolivarian Revolution has started to apply principles of Prout, for the most part unconsciously, in the following four areas: securing the basic necessities of people, promoting economic independence and self-sufficiency (endogenous development), building an alternative economic model based on cooperatives, and creating participatory democracy.

### **1. Providing the basic needs**

According to Prout everyone should be guaranteed, through proper purchasing power, to be able to afford their five basic necessities: food and drinking water, clothing, housing, education and health care. These are needed for a quality of life that is necessary for the development of the personality and the capacity to make decisions regarding one's economic future and for a civil life in a participatory democracy. As Dada Maheshvarananda wrote:

“Providing the basic necessities should be the primary function and duty of any economy. Human beings require these in order to realize their individual

potentialities, to develop culturally, to achieve inner fulfilment and self-realization, which many now consider as higher goals of life.... What a wonderful world it will be when no one on the planet will worry about getting enough money to buy the food, clothes, housing, education and medical care needed for his or her family!"<sup>3</sup>

The following Articles which appear in the Bolivarian Constitution of 1999 as basic rights and policy directives appear to be in line with the abovementioned Prout perspective on providing basic needs:

- Proper housing - Article 82: "Every person has the right to adequate, safe and comfortable, hygienic housing, with appropriate essential basic services, including a habitat such as to humanize family, neighbourhood and community relations. The progressive meeting of this requirement is the shared responsibility of citizens and the State in all areas."

The Chávez government has established a number of missions to provide the fundamental needs of the people, and one of these, Mission Habitat, builds new residential buildings primarily for homeless families with children and for communities that have organized themselves into construction teams. Housing is a serious problem in Venezuela: a large part of the population lives in shanties or in poorly constructed buildings without plaster.

- Education free of charge - Article 102: "Education is a human right and a fundamental social duty; it is democratic, free of charge and obligatory."

The educational missions were started to combat social exclusion and to foster participatory democracy. Illiteracy and the lack of learning possibilities were factors that sustained enormous social differences. The goal of Mission Robinson was to end illiteracy. When it started in July 2003, one and a half million people, or 6% of the population, were illiterate. On 28 October 2005 Venezuela was declared an illiteracy-free country. After Mission Robinson the government launched Mission Robinson II for those who didn't finish primary school, and this includes more than one and a half million adults. Mission Ribas has helped, by September 2006, 418,253 adults who previously dropped out of high school to finish their diploma. The State pays approximately 100 dollars each month to every participant of the educational programs so that they can attend the courses.

- Primary health care -
  - \* Article 83: "Health is a fundamental social right and the responsibility of the State, which shall guarantee it as part of the right to life. The State shall promote and develop policies oriented toward improving the quality of life, common welfare and access to services."
  - \* Article 84: "In order to guarantee the right to health, the State creates, exercises guidance over and administers a national public health system that crosses sector boundaries, and is decentralized and participatory in nature, integrated with the social security system and governed by the principles of gratuity, universality, completeness, fairness, social integration and solidarity."

The Mission Barrio Adentro, which is maybe the most famous project in international terms, was started in April 2003 to bring basic health care into the slums and to the isolated countryside, for a huge part of society that were previously excluded from health care. The government spends up to 5 billion dollars a year to provide both consultations and medicines free of charge. The doctors and staff live in the slums to really serve the community. Presently 14,000 doctors and 3,000 dentists from Cuba and an increasing number of Venezuelan doctors provide health care to some 17 million Venezuelans.

- Essential food: Mission Mercal, the nutrition project of the government, sells basic foods in poor areas at 28-50% less than the market price. In the first wave in 2004, they established 4,052 such shops, and this number increased to 15,721 by September 2006. The Mercals sell nearly half of the total food sold in the country. In addition free canteens appeared in the slums, named Comedores Bolivarianos, which provide hot meals to 600,000 people every day.
- Clothing: Basic clothing could also be sold in the same way as food.

## **2. Endogenous development**

Prout proposes that the current centralized economy be decentralized into economically self-reliant regions. The regions would be defined by geographic conditions, and by the inhabitants' cultural legacy, language, economic problems and interests. These regions would decide their economic future from below, with planning emerging from the communities and supported by the central government policies.

These regions would be divided into blocks, which would provide the basic level of economic planning. As Sarkar wrote: "There are many benefits to block-level planning. The area of planning is small enough for the planners to understand all the problems of the area; local leadership will be able to solve the problems according to local priorities; planning will be more practical and effective and will give quick, positive results."<sup>4</sup>

With the term "endogenous development", Chávez marks his rejection of the neoliberal economic rules and the developed countries' economic models. Instead he is trying to develop an economic model which suits Venezuela, is for Venezuela, and satisfies the needs of Venezuela. The goal is to create national economic sovereignty. According to Chávez, while in the time of Bolivar the fight was for political independence, this generation should achieve economic independence.<sup>5</sup>

In concrete terms this means breaking the dependence on oil, diversifying the income sources of the national economy, rejuvenating agriculture which withered after the discovery of oil, and achieving food security. (Venezuela imports the majority of the food it consumes, although it has reduced this rate from 72% in 1998 to 64% in 2006.) There are five defined fronts for endogenous development: agriculture, industry, infrastructure, tourism and services.

Strengthening agriculture is a crucial factor in achieving economic independence. The goal of the food security is written into the constitution. Article 305 states: "A secure food supply must be achieved by developing and prioritizing internal agricultural and livestock production." The constitution also supports rural development by the State, and Article 306 says: "The State shall promote conditions for overall rural development, for the purpose of

generating employment and ensuring the rural population an adequate level of well-being, as well as their inclusion in national development.”

The reorganization of the Venezuelan economy is taking a Proutist direction through common sense thinking about how to reduce the gross inequalities created by the global capitalist system and strengthen the local economy. In this regard, the importance of rural employment and an adequate standard of living to reduce internal and external migrations are essential economic policies, consistent with the Prout framework.

### **3. Three tier economy and cooperatives**

What about the institutional structure of the economy – that is, the structure of economic enterprises? “Prout proposes a dynamic economy of the people, by the people and for the people. Rejecting profit-making as the goal of the economy, Prout bases its economic policy on consumption; that is, on meeting the actual needs of people.”<sup>6</sup>

What this means is that economic enterprises are not just for profit-making, but fundamentally are for providing products (goods and services) to consumers. Of course, some reasonable or rational profit should be there, but it is not a goal of itself. From the welfare point of view, the goal is to firstly provide basic necessities to consumers, and then secondly enhance consumers lives through extra amenities, including services such as transportation and communications.

Prout proposes a three-tiered economic system to realize this. To preserve the open, innovative spirit of capitalism, but to avoid the destructive, exploiting impact of capital which disregards social costs and environmental degradation, Prout keeps the private enterprises at a small-scale and sets a ceiling for the maximum growth of a private business before it should become a cooperative enterprise.

Those industries which have strategic importance and which are too big or too complex to be efficiently managed by a cooperative, for example raw sources of energy, mining, petrochemicals, etc., remain government-owned (preferably at a local level or block level) or are managed by elected boards in the public interest at state, regional, and local levels.

The Bolivarian Revolution from its beginning committed itself to keeping the key industries state-owned, thereby rejecting the neoliberal doctrine demanding privatization, and added this in Article 302 of the new constitution, which says: “The State reserves to itself, through the pertinent organic law, and for reasons of national expediency, the petroleum industry and other industries, operations and goods and services which are in the public interest and of a strategic nature.”

Prout proposes that these industries be run on the principle of ‘no-profit-no-loss’. “As these enterprises are not privately owned, surplus income will not be paid out as dividends to stockholders or private investors.”<sup>7</sup> The community, and the cooperative sector, generally will reap the benefits of good management (but also the effects of inferior management) of key industries and these will trickle down. Accordingly, public accountability and continuous improvement are vitally intertwined with the management of key industries.

Surpluses of state-owned industries can be used in a number of ways, e.g. as sinking funds and replacement of infrastructure, for research and development, or even as rebates to

purchasers. By spending the state-owned enterprises' surplus in social missions, the Venezuelan government realizes this principle of Prout using national resources to benefit the whole society while focusing on the most neglected.

The largest part of the Prout economy is formed by the cooperatives. This guarantees economic democracy, a decrease in alienation, a more just distribution of wealth, and it makes possible changing the logic of profit to satisfying the real necessities and achieving everyone's well-being. That is, the consumption motive (for the benefit of consumers) replaces the profit motive (for the benefit of stockholders).

When Chávez took power in 1999, there were only 762 cooperatives in the country. One of the most important aims of the Bolivarian Revolution has been to make this tiny sector an important part of the economy. The Bolivarian Constitution asserts that the State should promote and protect cooperatives as a popular economic alternative. Article 118 states: "The right of workers and the community to develop associations of social and participative nature such as cooperatives, saving funds, mutual funds and other forms of association is recognized.... The State shall promote and protect these associations destined to improve the popular economic alternative".

The constitution also guarantees training, technical assistance and appropriate financing. Article 308 says: "The State shall protect and promote small and medium-sized manufacturers, cooperatives, saving funds, family owned business, small business and any other form of community association for purposes of work, savings and consumption, under an arrangement of collective ownership, to strengthen the country's economic development, based on the initiative of the people. Training, technical assistance and appropriate financing shall be guaranteed."

However, no significant change took place until 2001 when the Special Law on Cooperative Associations was passed. In 2003 bank loans were provided by the Ministry of Popular Economy (MINEP). With these developments, the number of newly registered cooperatives has drastically increased, passing 150,000 in 2006, possibly the largest number in any country.

To encourage and strengthen cooperatives and to create a base for endogenous development, in January 2004 the government launched Mission Vuelvan Caras, a one-year-long job training program. The participants, who usually come from other educational missions, receive practical skills training, and the majority form cooperatives when they graduate.

#### **4. Participatory democracy**

One of the most important achievements of the Chávez regime has been the inclusion of people into the political decision-making process. It began with the new constitution in 1999. A national referendum was held to decide whether there should be a new constitution, and then there was an election for the constitutional assembly. The writing of the constitution included wide-ranging consultation, and then the final text went to another national referendum for acceptance.

Since then Chávez has constantly called on the people to take power which sounds bizarre when the Bolivarian Revolution is based on a very charismatic leader. But heeding his call, local government and citizens initiated closer collaboration. Citizens form committees,

express their opinion about the budget, decide which tasks must be done, etc. Another part of the process is the formulation of new communal councils (based upon 200-400 families in cities and 20-50 in rural areas), which deal with local affairs. They flourish in both the slums of Caracas as well as in the upper-class district Altamira.

This model requires grassroots organizing by the citizens. Although currently participation is surprisingly strong, sceptics warn that the same ardour could be seen in the first days of the Iranian, Cuban and Spanish Revolutions, only to have it later disappear.

Prout goes a step further and focuses more on making representational democracy accountable. In order to do this, the Prout framework proposes that the election manifestos of the candidates should be considered as legal contracts. The candidates should sign these and if, once elected, they break their promises, they should answer for their actions in a court of law. The judicial process could end with their removal from office, e.g. for breach of promises or for misleading the electorate, and the like.

The Bolivarian Constitution does not contain such a formal accounting process for elected officials, but it makes possible their revocation. For example, Article 72 provides: "All magistrates and other offices filled by popular vote are subject to revocation." Such processes are essential elements of the constitution.

Processes such as this can be launched only once and only during the second half of their term. If the same or greater number of voters that elected the official vote in favour of recall, the official is removed from office. This possibility makes elected officials more accountable, indirectly forcing them to be more faithful to their voters. The most well-known use of this new provision of Venezuelan democracy was the referendum against President Chávez himself in 2004, which actually strengthened his popular mandate.

Anticipating the ebbs and flows of enthusiasm, Prout encourages people to participate in decision making primarily through cooperatives and by determining their community's economic future according to their economic interests. This should be the base-ground of democracy.

In the political arena, the seeds of this transformation of participation have also appeared in Venezuela. Namely, significant changes were made to the separation of powers. Instead of the usual three branches of government, the constitution recognises five, being:

1. The executive branch (the Presidency);
2. The legislative branch (the National Assembly);
3. The judicial branch (the judiciary);
4. The electoral branch (poder electoral, or "electoral power");
5. The citizens' branch (poder ciudadano, or "citizens' power").

In the economic affairs of life, democracy is also an important practical aspect. Workers encouraged by Chávez occupied approximately 1,200 factories and other businesses after the owners decided to close them. In the days of the general strike in 2002, workers locked out by their bosses in many places broke into their workplaces and were able to run them without the management. In certain state-owned enterprises, worker co-management also appeared, such as in the Alcasa aluminium company where the workers are able to freely elect their own managers and participate in the decision making. However, these cases are still exceptions

even in the state-owned sector, and more like experiments that generate great expectations, rather than part of a broad realignment.

## **Perspectives**

What's taking place in Venezuela, in spite of the term "revolution" used by the Chavistas, is a slow rearrangement of resources and the opening of new spaces for economic and political participation. At the beginning of the Bolivarian Revolution, 42.8% of the households lived under the poverty line. By the second half of 2005 this rate had decreased to 37.9%. These numbers were calculated by Venezuela's National Statistics Institute on cash incomes and, therefore, do not show the effect of the missions which have increased the general quality of life of the poor.

But for all these achievements, the Venezuelan society is still marked by the presence of wide-spread poverty and shocking inequality. In spite of the cooperative boom, only 6% of the Venezuelan labour force works in cooperatives. Moreover some of the new cooperatives are not active, and some were established just to get the government's bank loans. This, and the shortage of cooperative experience in the country, indicates that cooperatives are still far from taking over the Venezuelan economy. Instead of watching the creation of a new socialism of the 21st century, or the economic democracy of Prout, what we have seen so far is more like an experimental laboratory of an alternative economic system.

Furthermore the capitalist structures haven't been touched in Venezuela. Chávez, unlike his Cuban friend Fidel Castro, has not taken anything away from the bourgeois, and Venezuela is still a capitalist country, although not neoliberal. Walking on the streets of Caracas you see the presence of the same multinational corporations, the same US fast food restaurants, the same shopping malls like elsewhere. The country's economy is still run by private capital. This is a greater issue to tackle.

While Prout thinks in terms of self-sufficient regions, Venezuela strives to reduce its economic dependency and make itself self-sufficient. This is a worthy aspiration. It is consistent with the Prout framework. Real change also has to be preceded by consciousness raising in the population, which includes awareness and understanding of economic and social issues and principles of ethics or morality in decision making. Again, this is greater issue that has handled to be going forward.

On the whole Venezuela started its transformation in a very bad situation from the viewpoint of Prout: enormous inequality, dependence on the price of oil and food imports, the concentration of 88% of the population in cities, lack of education, etc. From this state Venezuela is slowly advancing towards an undefined goal, but the steps which have already been taken are surprisingly in harmony with an PR Sarkar's thinking and vision made a half century ago, a vision called Prout.

*Andy Malinalco is an activist with the Prout Research Institute of Venezuela.*

*This article edited and added to by Dharmadeva.*



## Notes:

1 Michael A. Lebowitz: *Venezuela: Going Beyond Survival, Making the Social Economy a Real Alternative*. [www.venezuelanalysis.com](http://www.venezuelanalysis.com), 19 August 2006.

2 Though the company had been nationalized in 1976, it had in reality been a state-within-a-state. After the coup failed, the directors and managers announced a strike until Chávez resigned, locking out the workers and effectively shut down production to create panic and chaos as gasoline became unavailable throughout the country. Chávez then invited Ari Rodríguez, then head of OPEC, to take over the company. He talked to the workers and asked if they could run the company without the former bosses. When they assured him they could, he fired the striking directors, greatly reducing the hugely bloated managerial salaries, and within three months production was back to normal.

3 Dada Maheshvarananda: *After Capitalism*. Washington, Copenhagen, New Delhi, Belo Horizonte, Proutist Universal Publications, 2003. 69-70.

4 Prabhat Ranjan Sarkar: 'Block-level Planning' in *Prout in a Nutshell 12* [a compilation]. Calcutta, Ananda Marga Publications, 1987.

5 Hugo Chávez Frías: *El Golpe Fascista Contra Venezuela*. Ediciones Plaza, La Habana, 2003. 16.

6 Dada Maheshvarananda: *After Capitalism*. 85.

7 Dada Maheshvarananda: *After Capitalism*. 89.

## Books:

Prabhat Ranjan Sarkar: *Proutist Economics – Discourses on Economic Liberation*. Calcutta, Ananda Marga Publications, 1982.