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CYCLES OF ECONOMIC GROWTH AND STRUCTURAL CHANGE IN VENEZUELA
1950-1974

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I. Economic Growth in Venezuela--The Broad Outlines of the Pérez Jiménez Era

The general outlines of recent Venezuelan growth are familiar to most economists concerned with Latin American developments. From 1950 to 1957--the Pérez Jiménez era--domestic product grew at the phenomenal rate of 9.4 per cent per year.^{1/} (See Table I for macroeconomic data and Table II for data on the labour force). This represents one of the highest per capita growth rates in the world, 5.7 per cent per year when the immigration-swollen, population growth rate of 3.8 per cent is deducted.

Exports of petroleum and petroleum products obviously formed the basis of this expansion. Venezuela took advantage of a rapidly growing world market for petroleum to expand exports of petroleum at 7.4 per cent and products at 14 per cent per annum. Crude petroleum production expanded from 1 498 million barrels per day to 2 779 million barrels per day.

Although these rates seem phenomenal, they actually represented a decline in Venezuela's share of the world export market for petroleum. The petroleum companies found Middle Eastern oil more attractive, for it could be exploited at a fraction of Venezuelan costs and Middle Eastern producers tended to demand much lower tax rates than the originators of the 50/50 split.^{2/} Moreover, even if costs had been the same, the companies' desires for alternate sources of supply and the Venezuelan policy of "no more concessions" would have increased the share of the Persian Gulf, at the expense of Lake Maracaibo.

Obviously, if the petroleum sector had been a perfect enclave, using only foreign owned factors of production, paying no taxes and making no local purchases, it would have had no effect on Venezuela. However, rapid growth of petroleum production did contribute to rapid growth in the rest of the economy directly, through local purchases of goods and services, and indirectly through taxes, which are used to make the government purchases. These contributions, defined as retained value^{3/} to distinguish them from the concept of value added used in

/the system

the system of national accounts, represent the way in which petroleum acts as a "leading" sector, influencing other sectors through demand for their production and competition for their factors of production. For example, since the real value of taxes can rise as a percentage of output, the nation's command over goods and services, expressed with the retained value measure can increase more rapidly than real GDP. Or the percentage of local intermediate purchases could rise, increasing the demand for local factors of production in a way that does not appear in the national accounts.

During the 1950-1957 period the petroleum sector represented about 31 per cent of GDP at constant prices. (The corresponding calculations of retained value in current prices under various definitions are shown in Table III, together with other data on petroleum.) As might be expected from the nature of the production process, the petroleum sector's major impact was through tax payments to finance government spending. Even at its height in 1948, the sector employed less than four per cent of the labour force.^{4/} Wages and salaries were only about half the size of tax payments and other local costs were probably about equal to wages.^{5/} On the other hand, regular taxes represented about 3.2 per cent of gross production over the period and grew 16.5 per cent per year between 1950 and 1957. In addition, the government also received extraordinary revenues of Bs. 974 millions in 1956 and Bs. 1 142 in 1957 from the first sale of oil leases since World War II. Ordinary and extraordinary oil revenues amounted to 62 per cent of government income in the period and were channelled into a correspondingly rapid growth of government spending, as there was almost no public debt.

The growth of the petroleum sector (crude plus refined) was almost exactly the same as total growth in the economy, as measured by the GDP accounts or "ordinary" retained value deflated by a price rise of about one per cent per year. In fact, growth in the petroleum sector lagged growth in GDP (and national income) during the period 1953-1955, creating slight revenue problems for the government. Rapid growth returned with the 1957 Suez crisis and the new concessions of 1956 and 1957.

/The companies

The companies may well have felt that declines in Venezuela participation, and the new concessions signalled a more favourable attitude toward the industry on the part of the Venezuelan government.

Industrial growth, broadly defined to include refining, construction and the provision of gas and power, was quite rapid over the Pérez Jiménez period. By 1957 the share of these sectors in GDP had increased almost two percentage points: their average growth rates were industry 11.7, petroleum refining 15.5, water and power 19.3, and construction 9.7. During the 1953-1955 period these sectors grew substantially faster than GDP. Some of their growth was strongly linked; for example, about 12 per cent of industrial production--wood, cement and other nonmetallic minerals, paints--went to the construction industry. Tires, textiles, and shoes and clothing production also grew rapidly in this period, as a result of an extensive import substitution program ^{6/}. Nonetheless textiles, shoes and clothing still represented only 12 per cent of industrial production by 1957, a fairly low proportion in comparison to other LDC's. Much of Venezuelan industrial expansion had been and continues to be along the primary lines of comparative advantage--capital intensive manufactures--and/or nontraded items such as beer, cement, and construction ^{7/}.

Except for construction, this capital intensive growth did not provide many jobs per percentage point of growth. The Venezuelan performance in this respect was actually somewhat better than in the rest of Latin America in the rest of Latin America in the 1950-1968 period ^{8/} despite structuralist criticisms of the capital intensity of the process ^{9/}. Nonetheless Services, commerce and agriculture continued to employ about the same 75 per cent of the labour force in 1961, although the service sector represented 38 per cent of the employed as opposed to 31 per cent in 1950. Agricultural employment rose slightly and fell in percentage terms from 44 to 35 per cent of the employed, partially as a result of the traditional pull of the cities and partially the result of lagging agricultural output, which still reached the relatively high rate of 6.5 per cent per year (4.5 per cent, 1951-1957).

/The massive

Overall shift in labour force composition was sufficient to roughly equate the growth rates of output per man in agriculture and the rest of the economy excluding petroleum, but left untouched the sixfold difference in average productivity ^{10/}.

The lag in agricultural growth reflected the international decline in coffee and cacao prices and the competition of agricultural imports, effectively paid for by revenues from petroleum exports, which otherwise would simply have increased private and public holdings of foreign assets. While government policy toward agricultural imports did vacillate through the 1950-1957 period, there was probable a smaller push toward agricultural import substitution in Venezuela than in any other Latin American economy. During the poor harvests of 1950/1951 large amounts of food were imported for consumption, dampening any possibility of rising food prices in the cities. Agricultural imports fell in 1952 but then were permitted to rise steadily, so that their value was roughly twenty per cent larger by 1957, and their proportion of real national consumption had fallen only 3 percentage points, to 22 per cent. ^{11/}

Government neglect of agriculture also manifested itself in low levels of spending on agricultural-rural development during the 1950-1957 period. (See Tables 4 and 5 for figures on government spending.) For example, the Agricultural and Livestock Bank, a major source of agriculture credit, was given no funds after the 1953/1954 Fiscal year and received only one quarter of its 1949/1950 appropriation over the whole 1950/1951 to 1956/1957 period. What spending that did occur was concentrated in large-scale, capital intensive projects such as the sugar centrals.

While it is difficult to criticize Venezuela for initiating a few capital intensive industrial projects along such lines of obvious comparative advantage, such as steel and petrochemicals, the neglect of agriculture, which was probably next in the line of comparative advantage, and which employed represented nearly half the labour force in 1950 is impossible to justify on either economic or social grounds. The net result of the external circumstances and internal policy was the maintenance of the "dual" economy that exist in 1950 ^{12/}.

/Only those

Only those rural inhabitants who were able to overcome the traditional unwillingness to or difficulty in migration to the city were able to participate in the fruits of growth. Although this flow of migrants was, as might be expected, large, the rate of growth of the urban fraction of Venezuela's population was not much different than in other Latin American countries, despite the presumably greater attractions in rapidly growing Venezuela. One explanation for this phenomenon might be the Pérez Jiménez prohibition on rancho construction, which hindered migration to Caracas, the potentially largest employment center. As a result the growth rate of Caracas was only median among Venezuelan cities, an experience which contrasts with other central cities in Latin América.^{13/}

II. The Provisional Junta and the Betancourt Era

When the Provisional Junta took over in 1958, they encountered more than agricultural problems. Many of projects constructed in the last years of the Pérez Jiménez regime had been financed by issuing short-term Treasury due bills, as portions of the work were "judged" completed. The contractors would then discount the bills, using the proceeds for working capital. These due bills represented a floating debt which may have gone as high as four billion bolivars,^{14/} but it was later learned that much of the actual construction work had not been performed.^{15/} It is a measure of the complete breakdown in public administration at the end of the Pérez Jiménez period, that this borrowing with its corresponding cost was going on while the Treasury maintained a cash reserve of Bs. 2 351 million.^{16/}

Confronted with these bills, and such uncompleted projects as the grandiose Centro Simón Bolívar, the COMAHOTU hotel chain, the Guayana Steel works, the Morón petrochemical complex, and numerous roads and bridges, the Junta decided to pay the compromises, push the projects to completion, and even undertake such new white elephants as the Hipodromo, using the funds remaining from the oil concessions.^{17/}

/In addition

In addition the Junta raised government salaries ^{18/} and began the Emergency Plan (P.O.E.). The latter was an attempt to gain votes and reduce unemployment in the temporarily paralyzed construction sector, through a series of public works projects paying relatively high wages and centralized in Caracas. ^{19/} Government capital spending, even excluding the Emergency Plan, jumped to over 50 per cent of the budget, as optimal investment theory would require when a national asset was sold. However, the jump was largely illusory for about one third of the capital spending in 1957/1958 and twenty per cent in 1958/1959 was dedicated to covering the debts on the cost-inflated projects of the Pérez Jiménez period ^{20/} and much of the rest went to low productivity projects. Agriculture, where higher productivity investments existed, remained a neglected sector in the government budget, receiving even * less in percentage terms than under Pérez Jiménez, though some subsidy plans were initiated. At the same time agricultural imports for consumption were permitted to rise 12 per cent in 1958, to their historically highest levels, and remained at that level during 1959. ^{21/}

When Rómulo Betancourt took office in early 1959, the economic situation steadily worsened. With the end of restrictions on migration, the promise of jobs in the Emergency Plan, and perhaps even free rent in one of the super bloques, rural inhabitants swarmed toward Caracas, increasing unemployment. At the same time construction activity was paralyzed, since it was not known what would be done about the remaining due bills, particularly with new irregularities which were soon discovered in construction undertaken under the provisional government. ^{22/} In addition the new government's attempt to avoid wasteful spending slowed payments to construction firms substantially, and they, always short of working capital, were forced to lay off workers. ^{23/} Industrial activity also slowed as businessmen awaited the announcement of Acción Democrática's economic measures, which were expected to follow the party's traditional anticapitalist line.

A general scramble to send money out of the country began, as businessmen worried about their holdings and immigrants feared some

/measures would

measures would be taken against them in repayment for their support of Pérez Jiménez. New taxes appeared imminent, not only because of Acción Democrática's traditional antibusiness attitude, but because oil revenues declined with the slowing of demand for Venezuelan output, caused by Middle-East competition and the imposition of United States quotas in March, 1959. At the same time, the new government felt obliged to embark on its election platforms of social development throughout the country, while maintaining its spending in Caracas to prevent rising unemployment. As a result Treasury reserves were further reduced and borrowing had to be made, largely from foreign sources. The dollars thus obtained disappeared almost immediately, along with a large portion of the international reserves, as the capital flight increased in the second half of the year, with fears of devaluation as well as tax increases.

Although the commercial banks had maintained excess reserves for just such an eventuality, the drop in deposits, combined with failures in a couple of banks and some illiquidity on the part of metropolitan borrowers, threatened to bring down the whole banking system. The banks were forced to resort to large rediscounts with the Central Bank, especially after a revision of rediscount rules in November, 1959 made these operations feasible. At the end of 1959 outstanding Central Bank lending to the banks amounted to 210 million bolivars,^{24/} a figure which averted a complete collapse but which was only a fraction of the 300 million bolivars drop in deposits and the 190 million bolivars of bad debts which the banks suffered in the last six months of 1959.^{25/} By mid-1960 commercial bank deposits had fallen an additional 860 million bolivars, and checking accounts had fallen 660 million bolivars or 25 per cent, though the fall in total money was less, as people partially converted their deposits to currency. By the end of the year deposits had risen 60 million bolivars from their June low and checking accounts were up almost 200 million bolivars. Central Bank loans at the year's end were only 290 million /bolivars, though

bolivars, though the DCV had supported liquidity during the year through extensive operations (about 1.3 billion bolivars).^{25/} The liquidity crisis had ended, although in total the money stock had fallen by about 11 per cent from December, 1958 to December, 1960.

While this fall in money was not as large as the one preceding the Great Depression in the United States,^{27/} the effect was similar. Gross Domestic Product rose only 3.1 per cent between 1959 and 1961, or 1.5 per cent per year, and nominal national income actually declined 3.2 per cent between 1959 and 1960 and rose only 1.8 between 1960 and 1961 paralleling nominal retained value. Output in manufacturing fell 3.2 per cent in 1960 and just rose above the 1959 level in 1961. Construction completely collapsed, declining 15.4 per cent between 1959 and 1960 and a further 24 per cent in 1961. Manufacturing industries supplying the construction sector were particularly hard hit. All of the original lumber mills in the DCV's national product sample had closed by 1961 and cement production dropped 21 per cent. Of course, this disastrous performance meant that the Planning Goals of seven per cent annual growth in GDP, 14 per cent annual growth in manufacturing, and six per cent in construction were completely unfulfilled.^{28/} In 1962 the first plan was abandoned. Large open unemployment developed in the cities, reaching 16.3 per cent in Caracas in 1961 despite the continuance of the P.O.E. Construction workers suffered most, with unemployment rates of 38 per cent nationally and 44 per cent in Caracas. About 6 per cent of the unemployed in the 1961 Census and 19 per cent of the unemployed in the Caracas Metropolitan Area had last worked in construction.

The preceding, Keynesian analysis of Venezuelan unemployment during the early sixties has largely been neglected by others, who attribute it to structural problems.^{29/} The structural approach is somewhat difficult to square with the reduction in unemployment from 13.1 per cent in 1961 to 6.9 per cent in 1967.^{30/} However, structural problems, such as the increase in labour costs which accompanied the increased union activity of the early AD years, probably worsened unemployment in the early AD years.

/The national

The national accounts show a substantial rise in the percentage of income going to labour, from an average of less than 55 per cent in 1955-1958 to 58 per cent in 1959 and over 61 per cent in 1960 and 1961.^{31/} Ministry of Labour statistics indicate a substantial rise in the median collective settlement and suggest a rise in workers under union contract.^{32/} In addition, the switch in spending emphasis, from the Federal District to the states, and from urban construction to rural development probably caused an increase in measured unemployment--which is basically an urban concept--together with a rise in "rural" income and productivity, rather than employment.^{33/} In partial reflection of this rural investment, the national accounts show a definite rise of about one percentage point or 18 per cent in the growth rate of agriculture in the early sixties, as compared with the fifties, and about two percentage points as compared with the 1956-1959 period, though this growth was less than planned growth. However, it is difficult to turn these estimates into per worker figures because of the large changes in rural-urban migration rates which probably occurred in the 1958 to 1961 period.

In theory, government policy could have averted the recession, despite the decline in petroleum revenues, through monetary expansion or increased spending financed by additional foreign borrowing at the moment that average money balances fell below "desired" levels, vis a vis national product. Gross international reserves might have declined somewhat further but unemployment would have been lower.^{34/} Unfortunately, such optimal timing is beyond the scope of most developed countries let alone a shaky government in an underdeveloped country. Under the circumstances, and given its philosophical unwillingness to prohibit urban migration, the government's target--reducing the unemployment rate to 6.9 per cent by 1966--was about the limits of feasibility.

The government's attempts to achieve this target were somewhat less than might have been expected. Even after the recession became clear, central government spending, excluding debt amortization, remained constant in nominal terms, in 1962-1963, and declined in real terms.

/The government

The government apparently felt constrained by the slowly growing petroleum revenues (2.7 per cent per year over the 1959 to 1963 period). Only in 1963 was the money supply permitted to grow rapidly and even by the end of the year it was only about six per cent higher than in 1960, despite a much larger potential GDP. A large government surplus tended to offset the expansionary effects of reserve growth arising from the devaluation and the capital controls of 1960 and 1961. By 1963 GDP and (nominal) petroleum taxes were only 11 per cent higher than in the recession year of 1961 as (nominal) retained value grew only 3 per cent, as construction continued to fall and manufacturing growth averaged less than 10 per cent per year. Agriculture remained the only bright spot, continuing to rise more rapidly than GDP.

Although the Betancourt government was hesitant in its fiscal policy, it was more active in altering the nature of government spending. The mainstay of previous administrations, construction of transportation facilities including railroads, was reduced substantially as a percentage of government spending, as were allocations to CVP and expenditures for the completion of the steel and petrochemical plants. However, amortization of the debt, which had been used by previous regimes to finance these expenditures, became a major item in the budget.

Agriculture became a more favoured sector, in line with Acción Democrática's rural base. The Agricultural and Livestock Bank was rejuvenated, an agrarian reform program was actively undertaken and substantial investments were made in irrigation. However, over fifty per cent of this investment and much of the spending for colonization by the Agrarian Reform Institute were concentrated in the states of Guarico and Portuguesa in completion of the large scale projects begun under Pérez Jiménez--which have greatly been criticized for low productivity. Education also became a favoured sector and AD's only new initiative, in line with the background of AD leaders such as Luis Beltrán Prieto. Teachers' salaries were raised, the number of and attendance in primary and secondary schools rose more than 50 per cent, and additional subsidies were given to the universities, which doubled their enrollment.

/One measure

One measure of the productivity of this investment is the rise in the literacy rate from just over 50 per cent in 1950 to 65 per cent in 1961 and 77 per cent in 1971.

Spending on agriculture, particularly agrarian reform, and on education tend to be somewhat more regionally dispersed, and broadly based than spending on roads, industrial plants and urban construction. Moreover, even the investment spending of Acción Democrática tended to be more regionally dispersed and evenly distributed in per capita terms, than similar categories of spending under Pérez Jiménez and the Provisional Junta, as shown in the rough calculations of Table 6. The two major anomalies in AD's spending by regimes - the relatively large amounts going to Guayana and the relatively small amounts to the Western States - can be explained by an explicit desire to create an alternative development pole around the lines of comparative advantage in natural resources that exists in the Guayana region, and a more implicit attempt to channel spending away from the Andean States, where COPEI was strong and support continued for Pérez Jiménez. Thus, one might imagine that the fruits of petroleum production were more widely distributed under Acción Democrática than under previous regimes.

III. Growth and Structural Change During the Leoni Years

The slow recovery of the Venezuelan economy continued during the Leoni Administration (1964-1968). Petroleum production exports and retained value (including exchange profits) continued to grow slowly over this period and actually fell in 1966.^{37/} Correspondingly, government revenues grew relatively slowly, though more rapidly than projected. Judging by the 1965-1968 plan and its actual behaviour, the government felt constrained to run an approximately balanced budget, undertaking little new borrowing and no new initiatives in spending, as shown in Tables 4 and 5. As a result public investment suffered, falling about 10 per cent below planned levels. In turn, the slow growth of public

/investment and

investment and expenditure retarded the rate of urban labour force absorption and the Second Plan's (1963-1966) unemployment target remained unfulfilled until 1967. Even this 6.9 per cent rate was somewhat higher than the rate during the early fifties, although the "natural" rate may have increased, due to a more liberal attitude toward rural-urban migration and the gradual change which had occurred in the age structure of the population. In fact, there is some suggestion of scarcities of skilled labour as early as 1964.^{38/}

Between 1963 and 1968 GDP growth averaged 5.5 per cent (five per cent from 1963 to 1967 using the old GDP calculation discussed in the sources to Table 1), less than the seven per cent rate called for in the Third Plan (1965-1968). Dependence upon petroleum was reduced, though perhaps more rapidly than desired. "Real" production from the sector rose only 2.1 per cent annually versus the 4 per cent planned rate. Over the period Venezuela behaved passively, keeping taxes high and rising, trying to pursue conservationist policies and enforcing the OPEC goal of 4-6 per cent growth in world exports by willingly playing the role of residual supplier. Under this policy expansion of sales from the lower cost areas of Iran and Arabia were matched by slowdowns in Venezuelan production. The companies willingly acceded to Venezuelan conservationist demands because Venezuelan costs and taxes per barrel were much higher than those of the Middle East or Libya.^{39/} In addition, there was substantial uncertainty as to their profits, for between 1958 and 1965 the Venezuelan government had refused to approve the companies' tax returns, asserting that they had sold the oil or effected intercompany transfers, at less than could have been obtained at the time.^{40/}

This "reparo" dispute came to a head during 1966 when an excess profit tax on extractive industries was debated before Congress. Excess profits were to be computed on after-tax earnings greater than 15 per cent of net assets and extra taxes on them could have reached 38 per cent. The companies **strenuously** opposed this tax bill and reduced output by about two per cent during 1966. In September a compromise was finally arranged in which the highest tax rate on profits (excluding royalties) was raised from 47.5 to 52 per cent,^{41/} an agreement was

/reached on

reached on the amount of "reparos" and a schedule of payment, and "reference" prices were set until 1971. In October crude production returned to approximately the 1965 level, and remained there during the October war ^{42/} and through 1968. The rise in price, the "reparos", and higher tax rates all meant an increase in government revenue (20 per cent) and returned value, as compared to 1965, but when the "reparos" declined in 1968 revenue again stagnated.

In addition to settling the "reparo" dispute, the outgoing Leoni Administration initiated legislation which was intended to improve the position of Venezuelan oil in the world market. A desulphurization law was passed, offering accelerated depreciation and exemptions from import duties to desulphurization plants. Under this law plants were constructed in Amuay and Cardón giving Venezuelan fuel oil a place in the growing low sulphur market. Also, in 1967, an amendment was made to the hydrocarbon's law, setting out the basis for service contracts. Bids on plots in Lake Maracabio were taken, but not actually accepted until the Caldera Administration took office.

With petroleum lagging, growth depended upon internal sources. In manufacturing, recovery from the recession and intensive import substitution generated average annual growth rates of about 7 per cent per year. Agriculture, still the main employer, grew slightly faster than GDP (5.8 per cent per annum 1963-1968), though somewhat more slowly than in the Betancourt years. Among the five major items accounting for the growth of agriculture--milk, rice, sesame, platano, and corn--the first three benefited greatly from an agricultural import substitution campaign and were generally produced on commercialized farms, under various types of subsidies. Thus, it is hard to attribute agricultural growth to the agrarian reform per se, although data from the Agrarian Reform Institute

/indicate the

indicate the affected lands produced about 50 per cent of the national output excluding coffee, cacao, banana, tobacco, and animal products. Agriculture, other than coffee and cacao, also benefited from the 1964 devaluation, as did manufacturing. Exports from these two sectors grew 36 per cent and 47 per cent respectively, between 1961 and 1966 ^{43/}. Construction also revived, though it did not pass the 1957 peak in output and economically active people attached to it until 1968 ^{44/}.

IV. The Caldera Administration, the Return of Acción
Democrática and the Future

When the Caldera Administration took office in 1969, it was faced with the same problems that had plagued the last year of the Leoni Administration. The costs of further import substitution in agriculture and manufacturing seemed to be mounting rapidly as the stage of easy substitution had passed. Limited by the small Venezuelan market, further expansion could only be achieved through exports or more rapid growth in internal demands. Entry into Andean Pact, which represented a potential foreign market for unsubsidized exports, was delayed by local industrialists who expected to be sacrificed to foreign interests while state and foreign owned heavy industry expanded along lines of comparative advantage. Exports to the rest of the world would require a subsidy, for production was uncompetitive at petroleum dominated exchange rates, and devaluation or a two-tiered exchange regime was rejected politically. Yet, fiscal difficulties had forced the Leoni Administration to restrict agricultural subsidies and would certainly limit the growth of internal demand. The "reparos" had given a temporary boost to public revenues, but Venezuelan oil remained uncompetitive with Middle Eastern and African production in the United States market. Revenues were, therefore, likely to stagnate and they actually declined in 1969. The construction industry also suffered a fall. Output grew only three per cent, though according to the sample surveys, unemployment continued to fall. The situation did not improve much in 1970, with growth reaching only 4.4 per cent and petroleum revenue just maintaining the 1968 level.^{45/} Only a rise in income from iron ore and nonmining income taxes kept government income rising. The service contracts that were signed did not seem likely to yield appreciably larger amounts of revenue, indeed their actual exploitation was a complete bust.

From this low point the fiscal situation has steadily improved because of growing strength of producing countries in the oil markets.

/In late

In late 1970 the Venezuelan government raised the tax rate applicable to the petroleum companies from 52 per cent of profits to 60 per cent and in early 1971 increased reference prices. As a result, tax revenues from oil rose 33 per cent in 1971. While output grew only 4.4 per cent, the economy's command over goods and services rose much faster because of the higher percentage of taxes in the value of petroleum output. Normally the tax rise would have caused a substantial decline in Venezuelan exports, as Middle Eastern production was substituted, but in this case the Venezuelans were able to take advantage of the Libyan cutbacks, the Syrian blockade of the Trans Arabian pipeline, and the rise in Middle Eastern and Libyan taxes.^{46/} With a passive response on the part of consuming nations reference prices were increased.^{47/} In the face of the Arabian behaviour the Venezuelans were able to appear quite rational, while pursuing their traditional conservationist-high price policy. Indeed the companies complained surprisingly little about the 1971 passage of the Hydrocarbon Reversion Law, which closely regulated the companies' activities during the period up to the reversion of concessions and required them to post a bond guaranteeing the condition of the concession and that no capital would be removed from it.

With 's return to office the foreign mining companies came under still further pressure. In line with OPEC decisions, reference prices continued their rise, reaching 14.24 in January 1974, with prices to consumers rising to as much as 11.50 during the Arab blockade, as compared with a Venezuelan figure of 11.99 in 1966 and 15.00 as late as October 1973. As result of higher reference prices and the 30 per cent rise in taxes passed in mid 1974, Venezuelan participation per barrel rose an income taxes grew 243.8 per cent, royalties 185.4 per cent and exchange profits 304.4 per cent between 1973 and 1974.^{48/} Part of these revenues went toward the nationalization of the iron mines, and the 1975 passage of the petroleum nationalization law by Congress suggests that the oil companies will soon receive similar treatment.

/Given the

Given the changed conditions in the world oil market, two problems face Venezuela, one old, one new. The shift of market power to the producing nations has left Venezuela and the other OPEC producers with an opportunity to reap substantial monopoly profits at the expense of the consuming countries. However, these profits can only be maintained if the OPEC cartel can hold together, an outcome which seems less likely than was the case when the seven international majors controlled most of the sources of supply. The larger number of participants in the OPEC cartel and the pressure which each national company will exert to expand its nationalized output by paying lower taxes than the multinationals should lead to an erosion of prices in the future, although as yet there are only small cracks in the dam.^{49/}

Thus Venezuela is faced with her traditional problem of maintaining a constant share in the world market by inducing the other countries to cut back supply, rather than suffering a declining share by acting as a residual supplier. Up to mid 1975 the cartel was surprisingly successful in coping with this problem, allocating production cutbacks of over twenty-five percent, with small cuts in prices, relative to the 1973-1974 increases. However, inflation in the rest of the world has lowered the relative price of oil ten to fifteen percent.

Assuming production control can be maintained, the new problem facing the OPEC producers is to achieve an increase in supply which will reduce prices below the long-run supply price of crude in the consuming nations or potential new producers. Such a policy would clearly inhibit efforts such as the United States' "Project Independence" while guaranteeing high incomes for OPEC countries.

Under such circumstances Venezuela could afford to cut back production somewhat, though perhaps not as much as the projected 50 per cent cut from peak output, while still receiving a relatively large income from sales. Although official reserves are "low" (about 15 billion barrels at the end of 1969, or about 11 years of production) these have been calculated at "low" (13 per cent) recovery rates.^{50/}

/If the

If the recovery rate were to rise to only 30 per cent, a figure below present United States levels, then reserves at the end of 1969 would cover about 18 years of production. Furthermore, official reserves do not include any estimate of offshore operation in the Golfo de Venezuela, the Orinoco Delta, the Gulfs of Coro and Vela, nor do they consider the tar sands with an estimated oil content of 700 million barrels, equivalent to 70 billion barrels recoverable with known methods. All of these sources are recoverable at higher cost than official reserves. However, they are probably exploitable at substantially less than the cost of alternative sources in consuming countries except for the tar sands. Thus Venezuela seems unlikely to "run out" of oil in the near future. Provided she can persuade her OPEC partners to guarantee her market share, she can count on high petroleum incomes during the seventies, as compared with the sixties, particularly since her production seems much less subject to politically inspired interruptions.

If these tax revenues are obtained, the Venezuelan government will be faced with a problem which has not really arisen since the fifties, the disposal of a vast amount of oil receipts. The administrative structure of the country has probably developed sufficiently to avoid the large-scale waste of these funds which took place during the last years of the Pérez Jiménez regime. Sufficient infrastructure has been constructed since 1950 to leave mainly low productivity physical projects. Thus, whatever expenditure takes place is practically forced into development of the human resources of the nation--public health, education, agricultural development and housing--rather than more roads and public buildings. Until the actual directions of expenditure are determined the revenues, less expenditures for nationalization, will remain under control of the Investment Fund, which has placed them in international debt instruments and undertaken some price support ventures in primary products.

/When this

When this expenditure is undertaken, its nature, together with a corresponding expansion of government activities, guarantees its dispersment among many rather than few hands. Unfortunately the difficulty with such expenditure is that it may have little present productivity. The product of expenditure on projects such as a literacy campaign or improved nutrition can only be felt twenty years in the future, so it is very hard to measure whether the nation has spent wisely. If it has not, then the nation's stock of capital (oil reserves) will be depleted to raise present consumption standards, a fear that has been most eloquently expressed by Juan Pérez Alfonso, the elder statesman of ADECO oil policy. Of course, this result cannot be judged wholly bad. Unless one has a strong "statist" view it is difficult to see why present consumers should refrain from consuming some of the large stock of oil wealth, simply to leave future, presumably richer, generations with even greater consumption opportunities. To some extent this view has been taken by the government of Carlos Andrés Pérez, as demonstrated by its reduction of personal taxes in the lower brackets, although one could also interpret the reduction as an attempt at indexation, and by the large rise in food imports.

Presuming that the Venezuelan government attempts to cut taxes on nationals or to spend its oil revenues currently, rather than to invest them in foreign capital and become a rentier nation, the economy is likely to face a completely new problem--inflation. The attempt to raise personal income will naturally generate increased demand for nontraded as well as traded goods. Resources will correspondingly have to be withdrawn from tradeable goods production, such as agriculture and manufacturing, since demand for these goods can be satisfied internationally. (Presumably a fair amount of the imports should be capital goods to replace the depletion of the stock of petroleum and incentives for investment are part of the tax plan.) The required movement of resources could be accomplished by a rise in relative prices of traded goods, without any movement in the average price index, through an appreciation which would lower traded goods prices. However, producers in the traded

/goods sector,

goods sector, which has been developed through much investment and a favourable import substitution policy, will certainly resist this foreign competition by demanding further protection. Given their successful delay of entrance to the Andean Pact it seems probable that they will be able to obtain such protection. Whatever success they do achieve will simply result in higher international reserves, reflecting the lessened demand for foreign goods, and still higher local prices. In the limit, if local producers were able to prevent any increase in imports, then Venezuelan prices would rise to such a level that all the extra dollar revenues would be needed to back the higher level of desired money balances created by the price inflation. The policy of raising present consumption standards through a transfer of purchasing power from oil consumers to Venezuelan consumers would then be completely frustrated by the strength of the import competing sector, and Venezuela would become a rentier nation. Thus in order to effect a resource transfer from the consuming countries to its consumers, Venezuela must allow some shrinkage of local production of tradeables and an expansion of the nontradeables--service sector.

The most rapid way to achieve such a transfer would be an effective appreciation of the bolivar relative to the dollar, accomplished through a reduction in import restrictions, or, a direct appreciation of the bolivar. Some hesitant steps were taken in this direction with the devaluation of the bolivar to 4.3 per dollar in February 1973, but the 4.5 per cent decline was only half the foreign rate of inflation. A more vigorous policy along this line, while causing some transitory unemployment in the carefully nurtured import competing industries, would have the advantage of insulating the economy from the worldwide rise in prices. Up to the present the policy has been practically the reverse, maintenance of an almost stable exchange rate, with correspondingly large increases in reserves (4.1 per cent), money (23 per cent) and wholesale prices (11 per cent) between the end of 1972 and 1973, and similarly between 1973 and 1974 (169, 4, and 20 per cent, respectively).^{51/} It, therefore, remains to be seen whether a Venezuelan democratic regime, responsible to pressure groups of import-competing producers can actually obtain large benefits from rising oil prices.

/FOOTNOTES

FOOTNOTES

- 1/ National income grew even more rapidly, 95 per cent over the seven-year period or almost 10 per cent per year in real terms.
- 2/ See Adelman, World Petroleum Market, Chapter II and Appendix, for the best summary of costs. Per barrel taxes are published from time to time in Petroleum Press Service. A summary table is found in Adelman, pp. 208-9.
- 3/ Retained value is defined as the sum of payments to local factors, taxes and local purchases. It differs from value added in including of local intermediate goods purchases and from domestic product in excluding payments to foreign factors. See C. Reynolds, "Development Problems of an Export Economy: The Case of Chile and Copper" in Mamalakis and Reynolds where the first use of the concept by the Chileans is discussed. There is a theoretical question - whether local sales should be excluded - a problem which does not arise in Chile where local copper sales are relatively small.
- 4/ Work force in December, 1948 estimated at 1,484 thousand using the 2.6 average growth rate for the 1941-50 period.
- 5/ Both wages and tax figures include capitalized as well as current values. Current local costs are difficult to compute as imports must be divided into current and capital accounts, as Salazar has done. Taxes are recaudos not participation. See notes to table on petroleum.
- 6/ See "El desarrollo de la economía Venezolana en el último decenio", Cuadernos de Información Económica, IX, #3-6, pp. 49-51.
- 7/ See Beyer "High Growth, Unemployment, and Planning in Venezuela: Some Comments" for a favorable view of this process.
- 8/ See Derek Healey "New Thinking about Development Policy" Journal of Economic Literature, 1972, pp. 770.

/9/ See Hassan,

- 9/ See Hassan, "High Growth Unemployment and Planning in Venezuela". This criticism is omitted in Hassan, Economic Growth and Employment Problems in Venezuela.
- 10/ Since 1950 was a particularly bad year according to the Memoria 1950 of the Banco Central de Venezuela, and the growth between 1950 and 1951 was twenty per cent of the total between 1950 and 1957, the 1951 to 1957 figures are probably more representative of the average growth of agriculture. Of course all figures exclude "new" crops which grew more rapidly than the 40 items in the BCV index. The calculation of per capita output was made on the basis of the estimated labour force in the sector in 1957. Although the BCV published figures on sectorial employment during the period, these are based on (constant) product labour inputs and are therefore somewhat unreliable. As an alternative agricultural and non petroleum, non agricultural employment in 1957 was estimated using the Nov. 26 1950 to Feb. 26, 1961 intercensal growth of 2.3 per cent for agricultural employment and 50.3 per cent for non petroleum, non agricultural employment, over 10 years. This growth yields a figure of about 712 thousand in agriculture and 1.089 in the non petroleum, non agricultural sector in 1957 and growth of output per man of about 45 per cent. Inclusion of the unemployed by sector could not change the conclusion appreciably, especially since rural-urban migration before 1957 was relatively slow according Ray, The Politics of the Barrios of Venezuela. The use of average products to indicate structural disequilibrium is common but not correct theoretically; the appropriate comparison is between marginal products. Of course these are directly related to average products though the shares of labour and capital, assuming production takes place under constant returns to scale and the shares are constant if we assume Cobb-Douglas production functions. While it is possible that agriculture is more labour intensive, with a corresponding higher share and lower average product of labour than the whole urban sector, the BCV shows approximately the same share in both sectors. For example BCV Memoria shows a sixty per cent share in both sectors in 1957. This calculation is based on an overestimate of the labour force, which gives high labour shares relative to Latin America or to production function estimates (Hanson-Agricultural Productivity and the Distribution of Land: The Venezuelan case, Yale Growth Center Discussion Paper) but since the overestimate is greater in agriculture, the actual labour share in agriculture should be lower than in the urban sector. In any case the labour share would have to be six times the urban to yield equal marginal products.

/11/ See BCV,

- 11/ See BCV, Memoria 1957 Cuadro G III, BCV, La Economía Venezolana en los Ultimos Treinta Años, pp.192.
- 12/ See also Carl Shoup, The Fiscal System of Venezuela: A Report. The CORDIPLAN study on income distribution shows that inequality is not much different than in the rest of Latin America but it was taken in 1962, after land reform and the end of restrictions on migration.
- 13/ See J. Friedman, Regional Development Policy: A Case Study of Venezuela, p. 136. The growth of Caracas was marginally faster than the largest cities but slower than the "large" cities under 100,000 in 1961.
- 14/ See IBRD, The Economic Development of Venezuela, pp. 105-8, 111 and Alexander, The Venezuela Democratic Revolution, p. 60 and "El desarrollo de la economía Venezolana en el último decenio," Cuadernos de Información Económica, XI, #3-6, p.46.
- 15/ There is a substantial discrepancy between the 1957 DGE figures for* construction, which show a large rise (615 million bolivars or 30 per cent) and the BCV figures for production in the construction industry which show a slight decline. Some of this discrepancy may be explained by the difference between payments on debts for previous work and new construction.
- 16/ BCV, Memoria 1958.
- 17/ See BCV, La Economía Venezolana en los Ultimos Treinta Años. pp. 257, 258 which shows treasury reserves fell to Bs. 801 million at the end of 1958.
- 18/ Salary payments rose 50 per cent in 1958/9. See Evolución de los Gastos, pp. 21.
- 19/ See IBRD The Economic Development of Venezuela, pp. 91.
- 20/ See Evolución de los Gastos, pp. 34 and Table 4 and IBRD The Economic Development of Venezuela, pp. 111.
- 21/ See BCV Evolución de la Economía Venezolana en los Ultimos Treinta Años, pp. 192.

/22/ Evolución de

- 22/ Evolución de los Gastos, pgs. E₁ - E₃
- 23/ IBRD Economic Development of Venezuela pp. 100.
- 24/ Total rediscount operations during the year with banks, amounted to 346 million bolivars. BCV, Memoria Especial, 1961-65, pp. 90.
- 25/ BCV, Memoria Especial, 1961-65, pp. 55 and 105. Figures on money from this publication are on a slightly different basis than those shown in Table 1, for the include some deposits which are not part of the revised, end of year, figures.
- 27/ Milton Friedman and Anna Schwartz, The Great Contraction, 1929-1931, Princeton, Princeton Press, 1965.
- 28/ See F. Levy, Economic Planning in Venezuela.
- 29/ M. Hassan, "High Growth, Unemployment, and Planning in Venezuela" and Hassan Economic Growth and Employment Problems in Venezuela.
- 30/ All figures pertain to those over 10 years of age. In 1961 and 1967 the economically active labor force over 15 years of age, had unemployment rates of 13.3 per cent and 7.2 per cent, compared to 6.2 in the 1971 census.
- 31/ BCV, Memoria, various years.
- 32/ However, figures in C.T. Basil Smith, "Movements of Relative Earnings in Venezuelan Manufacturing Industries 1963-66" suggest that the increases in 1960 were only slightly larger than those in the period 1961-65.
- 33/ It is difficult to evaluate the effect of Agrarian Reform on urban unemployment. Presumably rural-urban migration was reduced by the division of latifundios. However, division into small farms probably increase the difficulty of returning to the countryside for work as a hired peon, though those with close family ties probably found greater opportunities.

- 34/ Pure monetary expansion might have caused some difficulties, for gross reserves could have continued to decline, perhaps worsening the rate of speculative capital flight.
- 35/ See Table 4 and 5 and DGE, Compendio Estadístico de Venezuela.
- 36/ E. Boloyra, "Budget Analysis: Methods and Issues" analyses spending by ministries and finds significant differences in the (relative) spending of the ministries of education, health and welfare, communications, and foreign affairs between the AD and military regimes. Though some of our conclusions are similar, Baloyra's approach by ministries obscures spending patterns. For example expenditures in the steel plant and electrification passed from control of the development ministry to the interior ministry, raising the variance of spending in both ministries. More and more irrigation works were constructed by the public works ministry rather than the agricultural ministry. The hospital building campaign was under public works rather than health and welfare. Debt is part of the treasury. These examples all illustrate the problems involve in using unclassified expenditures. A second problem is of course the application of statistical techniques when the errors in variables, as opposed to the variance of the observations, may be very large. For this reason data are reported as sums over an administration and variations of one or even two percentage points are not considered significant. Finally these remain the general problems of this approach which cannot be escaped by either Baloyra's or the present approach, in particular the lack of a price deflator for graft as well as inflation which will yield the real value of spending rather than the value of consumption goods which could be bought with the nominal government expenditure.
- 37/ The large jump in the Bolivian value of exports between 1963 and 1964 was the result of the devaluation. Profits expressed in Bolívares rose but the exchange profit was reduced.
- 38/ F. Levy, Economic Planning in Venezuela, pp. 111, based on CIAP, "El esfuerzo interno..." mimeo.

39/ See Petroleum

- 39/ See Petroleum Press Service, August, 1968, p. 302, cited in G. Edwards, "Petroleum Companies in Venezuela" in R. Mikesell, ed., Foreign Investment in Petroleum and Mineral Industries; see also M. Adelman, World Petroleum Market.
- 40/ A good discussion of this dispute is contained in Edwards, ibid.
- 41/ This could be lowered to a minimum of 50 per cent through rebates for new investments.
- 42/ MMH, FODE, Producción del Petróleo Crudo por Mes. Of course, some of the increased production during the summer of 1967 (about five per cent above the 1965 level) may have reflected stock-piling.
- 43/ The calculation for agriculture excluding coffee and cocoa and is actually based on averaging 1960 and 1962 figures for sugar, as there was an enormous jump in 1961 exports of sugar, which then fell back in 1962.
- 44/ Assuming the 1961 Census figures for economically active persons in construction (131 thousand) reflect the 1957 employment.
- 45/ These calculations are based on GDP as shown in BCV Informe Económico 1971, Later revisions of the data show extremely rapid growth between 1968 and 1969 and 1970 with slow growth from 1970 to 1971. However it seems likely that the 1968 and 1969 figures were not completely revised.
- 46/ See M. Adelman, The World Petroleum Market, pp. 250-251.
- 47/ See M. Adelman, The World Petroleum Market.
- 48/ See Oficina Central de Información, Primer Mensaje del Ciudadano Presidente de la República, Carlos Andrés Pérez al Congreso Nacional p. 14.
- 49/ The cuts in prices have largely taken the form of good credit terms and the end of quality discounts. However, the inflation in the rest of the world has probably lowered the purchasing power of oil revenues an additional to ten to fifteen per cent.

- 50/ CIAP, "Evaluación del Cuarto Plan", Appendix II, Petróleo., mimeo. Reserves refer to the percentage of oil in the ground which is recoverable at present prices. Generally no allowance is made for changes in technology, prices, or costs in calculating reserves.
- 51/ See Oficina Central de Información, Primer Mensaje del Ciudadano Presidente de la República, Carlos Andrés Pérez al Congreso Nacional Appendix. The official calculation of reserves in 1973 includes a revaluation to US\$ 42.22 per oz., yielding a paper increase in reserves of US\$ 99 millions.

Table 1

"OLD" GDP

	1950	1957	1958	1959	1961	1963	1967
Gross Domestic Product (million bolivars 1957 producers prices)	12 727	23 848	24 164	26 065	26 881	29 818	36 160
Agriculture	1 014	1 507	1 576	1 642	1 845	2 106	2 615
Mining	20	383	379	420	343	282	411
Petroleum (Crude)	3 920	7 472	7 073	7 560	7 975	8 839	9 633
(Refining)	3 797	7 135	6 708	7 154	7 554	8 336	9 093
Other Manufacturing	123	337	365	406	421	503	540
Construction	1 151	2 429	2 607	3 012	3 033	3 645	4 835
Water and Electricity	827	1 581	1 618	1 707	1 097	1 339	1 671
Commerce	69	238	281	336	417	590	897
Transport, and Comm.	1 726	3 933	3 803	4 003	3 927	4 260	5 860
Services (incl. rent and gov.) (Rents and Int.)	699	940	1 002	1 090	1 032	1 041	1 358
Import Duties (included by sectors)	3 301	5 365	5 825	6 296	7 212	7 716	8 883
	1 161	2 141	2 398				
Selected Components of Demand for Product Exports (millions bolivars)	3 355	8 512	7 722	7 316	7 426	7 829	11 154
Petroleum		6 081	5 282	4 867	4 842	5 133	7 146
Petroleum Products	3 223	1 784	1 818	1 787	1 966	2 096	3 121
Iron Ore		394	398	431	417	308	519
Coffee and Cocoa		149	159	112	102	110	95
Other		104	65	119	99	212	275
Imports (million bolivars)	2 001	5 588	4 783	4 720	3 523	3 655	5 632
National Government (million bolivars) of which Debt Amortization	2 074	4 376	6 256	6 314	7 075	6 590	8 605
	4	4	21	20	1 048	607	280

Table 1 (cont.)

"OLD" GDP

	1950	1957	1958	1959	1961	1963	1967
National Government, Ordinary Income of which Petroleum (excl. other and exchange profits) million Bs.	1 907	4 263	4 705	5 441	5 792	6 596	8 539
Iron Income Tax	880	2 470	2 559	3 102	3 139	3 474	5 666
Other Income Taxes	101	40	93	87	271	80	193
Net Inter. Reserves (BCV) year end million \$	326	1 381	983	703	571	740	867
Money held by public year end million Bs.	1 558	3 509	3 856	3 636	3 514	3 630	5 087

Table 1 (cont.)

	1961	1963	1967	1968	1968	1968	1970	1971	1973	1974
Gross Domestic Product	28 479	33 222	41 085	43 268	43 588	50 244	51 292	56 807		
(million bolivars 1957 producers' prices)					million bolivars	1968 producers prices				
Agriculture	1 999	2 220	2 798	2 938	3 110	3 546	3 516	3 792		
Mining	358	282	411	366	427	534	501	565		
Petroleum	7 940	8 839	9 633	9 839	10 673	11 135	10 424	10 355		
(Crude)	7 493	8 336	9 093	9 278	8 952	9 190	8 571	8 337		
(Refining)	447	503	540	561	1 721	1 945	1 853	2 018		
Other Manufacturing	3 101	3 645	4 835	5 121	5 215	6 219	6 615	7 815		
Construction	1 471	1 340	1 682	2 040	1 965	1 902	2 222	3 083		
Water and Electricity	422	590	894	1 041	676	859	949	1 122		
Commerce	3 811	4 315	5 907	6 344	4 842	5 631	5 861	6 467		
Transport. and Comm.	996	1 045	1 370	1 460	3 973	4 841	5 207	5 998		
Services (incl. rent and gov.)	8 381	10 946	13 555	14 119	12 215	13 986	14 616	16 545		
(Government)	1 340	1 302	1 643	1 692	4 664	5 283	5 632	6 197		
Import Duties					492	1 591	1 381	1 065		
(included by-sectors)										
Selected Components fo Demand for Product										
Exports (millions bolivars)					11 161	11 699	13 901	19 967		
Petroleum					7 236	6 931	8 403	11 586		
Petroleum Products					3 123	3 618	4 411	7 198		
Iron Ore					452	647	624	701		
Coffee and Cocoa					70	88	95	120		
Other					282	415	360	362		
Imports					6 532	7 382	8 252	10 895		
National Government					9 174	10 295	11 915	15 042		
Of which Debt Amortization					255	146	692	433		
National Government, Ordinary Income					8 775	9 468	11 637	16 054		
of which Petroleum (excl. other and										
exchange profits) million Bs.					5 792	5 708	7 643	11 182		
										36 449

Table 1 (cont.)

	1961	1963	1967	1968	1968	1970	1971	1973	1974
	"NEW" GDP								
	UN GDP								
Iron Income Tax				157		245	269	176	354
Other Income Taxes				1 135		1 472	1 524	2 174	2 252
Net Int. Reserves (BCV)				928		1 015	1 459	2 378	6 388
Money held by public year end				5 637		6 420	7 699	10 629	15 145

SOURCES TO GDP TABLES

<u>OLD GDP</u>	1950-1961	Banco Central, <u>La Economía Venezolana en los Últimos Veinticinco Años</u> .
	1963	Banco Central, <u>Informe Económico</u> , 1967
	1967	UN, <u>Yearbook of National Accounts Statistics</u> , 1969
<u>NEW GDP</u>		Banco Central, <u>La Economía Venezolana en los Últimos Treinta Años</u> .
<u>UNGDP</u>	1968	Banco Central, <u>Informe Económico</u> , 1972
	1970-73	Banco Central, <u>Informe Económico</u> , 1973

The GDP accounts at constant prices are computed by applying value added coefficients to series of physical output (see Butler, BID, Metodología...). The "new" series revised upward the estimates of agriculture and services, the latter being the major weakness in the "old" accounts. Unfortunately, the revision was only made back to 1960 so it is impossible to gauge the extent of the 1959 to 1961 recession using only the "new" series. Year-to-year changes are very similar for old and new series after 1961.

The UN series presents the revised Venezuelan national accounts, which now conform to the revised UN methodology. The revisions and methodology are described in publications available from the BCV. New value added coefficients are used and petroleum refining and therefore total manufacturing is treated as producing much higher output, since crude is transferred at cost excluding profits and taxes. Substantial upward revisions were made in all sectors for all years in both the 1972 and 1973 Informe Económico, though the changes were much smaller for 1968 and 1969, indicating these two years may be understated.

Exports--All figures are based on MMH data from company books on petroleum and iron ore exports, at market prices, and DGE data on the rest. (The 1950 figure was obtained from BCV Informe Económico, 1962. The rest are from PODE 1972 and 1973, pp. 155). There is a substantial difference between DGE data on petroleum and iron ore and the MMH in most years, owing to differences in timing and in valuation. For many years the BCV used the DGE data but

/starting with

starting with the 1962 estimations of the national accounts it adopted the MMH estimates. To give some idea of the difference the DGE, Anuario Estadístico, 1969, shows the following figures for petroleum plus products, 1956--6,646, 1957--7,289, 1958--7,083, 1959--7,283, 1960--7,393, 1961--7,450, 1963--8,155, 1967--12,724, 1968--12,658. In 1972 both the MMH and the BCV began using export prices for the majority of these statistics; these yield values of 13.479 in 1971 and 22.766 in 1973. The MMH shows other exports of 520 in 1973.

Imports--BCV Informe Económico, 1962, 1967, 1973.

(excludes DGE's Section 99.) Figures for 1973 includes Section 99 and are from OCI - Primer Mensaje del Ciudadano Presidente de la República, Carlos Andrés Pérez al Congreso Nacional.

Central Government Spending and Debt excluding Acreencias; 1950-1959, La Economía Venezolana en los Ultimos Treinta Años and BCV, Memoria; 1961-1963, BCV, Informe Económico, 1969; 1967-1968, BCV, Informe Económico, 1971; 1970-1973, BCV, Informe Económico 1973.

National Government Ordinary Income, 1950-1968, BCV, La Economía Venezolana en los Ultimos Treinta Años, pp. 259 (includes reparos). 1970-1973 BCV Informe Económico 1973, 1974 - OCI - Primer Mensaje...

International Reserves, BCV La Economía Venezolana en los Ultimos Treinta Años and OCI - Primer Mensaje... Revaluations to US\$ 42.22/oz. accounts for US\$ 99 million of increase in 1973. See BCV Informe 1973 p. 127

Money

1950-1963 BCV La Economía Venezolana en los Ultimos Treinta Años, pp. 212

1967-1973 OCI Primer Mensaje ..., all based on revisions of BCV data. Figures for deposit money are lower than figures shown in BCV, La Economía Venezolana en los Ultimos Veinticinco Años, by 200 to 20 million Bs. Part of the difference may be improved figures on interbank liabilities another part may be the omission of money data from banks that went out of business in the fifties,

Table 2

ECONOMICALLY ACTIVE LABOUR FORCE
15 or more years of age

	1950	1961	1971
TOTAL	1 628 174	2 261 663	3 014 674
Agriculture	654 627	662 683	605 129
Mining and Petroleum	44 400	45 549	36 513
Manufacturing	169 444	244 006	386 329
Construction	90 434	81 122	146 273
Water and Electricity	5 197	21 180	32 620
Commerce	147 102	262 334	366 237
Transport	51 898	96 171	119 914
Services	324 443	491 584	757 229
Other not specified	35 964	55 442	378 452
Unemployed	104 665	301 592	185 978
(previously employed)	93 021	283 621	149 511
(new job seekers)	11 644	17 971	36 467

Sources and Notes Table 2.

Source: Venezuela, Dirección General de Estadística, x Censo de Población Resumen General (figures for 1950 regrouped to show petroleum refining as part of manufacturing.)

Figures for persons above 10 years of age not available in 1971. For 1950 the economically active population above 10 years was distributed as follows: Total - 1 706 321; agriculture, 704 704; mining and petroleum, 44 509; manufacturing (incl.ref.), 172 493; construction, 91 104; water and electricity, 5 219; services, 544 121; nes., 37 218; unemployed, 106 953.

For 1961 the economically active population above 10 years was distributed as follows: total, 2 351 291; agriculture, 721 203; mining and petroleum, 45 609; manufacturing (incl.ref.), 246 893; construction, 81 565; water and electricity, 21 206; services, 868 052; nes., 58 018.

Table 3
PETROLEUM

	1950	1956	1957	1958	1959	1960	1961
Production(million barrels)	547	899	1 014	951	1 011	1 042	1 066
Processed(million barrels)	91	228	251	267	301	323	339
Crude Exports(million barrels)	452	675	759	688	720	731	744
Processed Exports(million barrels)	67	171	182	202	221	251	265
Employment (average 000)	44	44	46	45	43	41	37
Total Income from petroleum sale (000 Bs.)	3 495	6 689	8 209	7 414	7 029	7 022	7 241
Returned value (000 Bs.) A	2 162	4 031	4 984	5 659	5 189	4 689	4 654
B	2 041	4 795	5 838	5 345	5 554	4 980	4 991
C	2 169	5 108	6 241	5 755	5 910	5 287	6 949
Fiscal Participation (see note)	1 021	2 247	2 906	2 994	2 791	2 639	2 823
Participation: Profits After Taxes	51/49	52/48	52/48	65/35	68/32	67/33	66/34
Taxes and Other Income	900	3 011	3 760	2 680	3 156	2 930	3 160
Petroleum Royalties	552	1 220	1 539	1 359	1 635	1 631	1 574
Petroleum Income Tax	273	712	931	1 198	1 465	1 260	1 555
Concessions and Reparos	--	974	1 142	--	--	--	--
Others	75	105	148	123	56	39	31
Exchange Profits	128	313	403	310	356	307	1 958
Wages and Salaries	373	589	584	585	596	601	573
Other Labour Costs	190	283	406	413	403	451	467
Other Costs of Operation	436	906	1 001	1 062	1 069	1 000	921
Investments	561	1 160	1 822	1 788	1 262	730	516
Less Wages changed to Capital	58	97	108	94	56	53	38
Imports	256	799	1 289	782	500	299	205
Local Sales	105	258	338	307	376	380	403
Other Income	25 *	92 *	92	82	109	90	83

* Estimate

Table 3 (cont.) PETROLEUM

	1963	1965	1966	1967	1968	1970	1971	1973
Production(million barrels)	1 186	1 268	1 230	1 293	1 319	1 353	1 295	1 229
Processed(million barrels)	380	429	428	425	434	472	455	475
Crude Exports(million barrels)	818	860	826	887	898	889	844	775
Processed Exports(million barrels)	304	336	335	340	344	378	353	354
Employment (average 000)	34	32	29	27	25	24	24	23
Total Income Petroleum Sales(000 Bs.)	7 701	10 725	10 419	10 964	11 119	11 384	13 720	19 855
Returned value (000 Bs.) A	4 993	7 191	6 871	7 455	7 838	8 833	10 433	16 124
B	5 173	7 006	6 966	7 694	8 148	8 525	10 571	13 956
C	7 139	7 123	7 082	7 824	8 293	8 668	10 755	14 215
Fiscal Participation (see note)	3 331	4 937	4 836	5 460	5 513	6 200	7 546	13 389
Ratio Participation: Profit After Taxes	66/34	65/35	66/34	68/32	68/32	78/22	77/23	80/20
Taxes and Other Income	3 511	4 752	4 931	5 699	5 823	5 892	7 684	11 221
Petroleum Royalties	1 716	2 531	2 557	2 740	2 747	2 864	2 869	3 380
Petroleum Income Tax	1 758	2 188	2 355	2 470	2 795	2 844	4 770	7 801
Concessions and Reparos	--	--	--	459	251	--	--	--
Others	37	33	29	30	31	43	45	40
Exchange Profits	1 966	117	116	130	135	143	184	259
Wages and Salaries	585	613	594	571	546	613	608	639
Other Labour Costs	400	492	525	566	519	534	548	607
Other Costs of Operation	945	1 249	1 230	1 148	1 129	1 418 *	1 744 *	1 892 *
Investments	511	825	638	647	1 182	1 294	1 287	1 121
Less Wages changed to Capital	52	51	47	47	51	63	56	53
Imports	244	294	232	194	258	290	339	400 *
Local Sales	502	581	673	696	754	835	905	1 071
Other Income	98	168	168	146	112	100 *	100 *	100 *

* Estimate

SOURCES FOR PETROLEUM TABLE

Returned Value A = MMH figure with adjustments for revisions in data, Participation + wages + other costs + investment - wages to capital - imports - local sales. The MMH figure for 1967 and 1968 includes "reparos" as one can check by using the table on page 151 and the same table in MMH PODE 1968. See also notes on participation, taxes, and other income.

Returned Value B = Same as MMH figure except taxes "recaudos" replace participation and includes "reparos" and concession payments.

Returned Value C = B + exchange profits.

Production, Exports, Employment - 1950-68 MMH PODE 1972, p.21, 145
1970-73 MMH PODE 1973, p.21, 147

Total Income Petroleum Sales - 1950-56 MMH PODE 1968, p.136, 138 (calculation
Other Income which agrees closely with sales from company books). Other income estimates assumed equal to 1949 and 1957, respectively.
1957-58 MMH PODE 1968, p.141
1959-66 MMH PODE 1969, p.141
1967-73 MMH PODE 1973, p.155

Participation, Taxes - 1950 - MMH PODE 1961
1956 - MMH PODE 1966
1957-58 MMH PODE 1968
1959-61 MMH PODE 1969, p.161, p.153
1963-73 MMH PODE 1973, p.167

The tax figures refer to "recaudos" and not "impuestos cargados a ganancias" (p.141), which differ because of timing and capitalization of some taxes, nor to "participación causada" (p.151, 152), which differs in the amounts of royalties, surface taxes and others. Some of the differences may be timing, for the participation series appears to refer to accruals. The rest is probably due to the exclusion of taxes on refined products in the participation series and differences in prices.

Participation also excludes concessions and exchange profits, but "reparos" of 61 in 1967 and 19 in 1968 were added to the original series. In 1969, the participation series was revised to exclude social security payments. (See MMH PODE 1967, 1969). An adjustment was therefore made in the 1950-57 figures, i.e., assuming 6 in 1958 and 25 in earlier years (see

/MMH PODE

MMH PODE 1968). The figures before 1957 are probably not strictly comparable but the difference is slight, particularly in the participation rate. For example, MMH PODE 1968 shows participation of 1056 with a 60/40 split in 1949 and 1576 with a 53/47 split in 1954. The MMH PODE 1969 uses the participation series in its calculation of retained value, but earlier issues and the BCV use taxes "recaudos" in their calculation of government income. The large difference in 1973 between participation and "recaudos" apparently refers to taxes charged after the end of the year, as the figures from company books, which usually agree with "recaudos" are in close agreement with participation.

Exchange Profits - Since exchange profits are the result of a difference between buying and selling rates, there is some question about the allocation of the profit to a specific sector. Harris ("The Impact of the Petroleum Export Industry on the Pattern of Venezuelan Economic Development" in Mikesell, ed.) and Salazar treat the profit as arising from an extremely unfavourable rate to the oil companies, while the BCV treats it as an extra cost to importers and adds it to commerce. The issue is only important in the 1961-1964 period, when inclusion or exclusion changes the direction of government revenues from oil (Salazar, p.251). During the period the petroleum sale rate was 3.09 Bs. per dollar, the controlled rate 3.35, and the free purchase rate was 4.70 (March 19, 1961), gradually falling to 4.58 (in May), 4.54 (in April, 1962) and 4.485 or 4.50 in January 1964 when the petroleum rate was raised to 4.40 (BCV La Economía Venezolana en los Ultimos Veinticinco Años).

Harris computed the profit as 90% of the exchange profits. While this calculation has the virtue of simplicity, Salazar points out there are many differences between the reported figure which is net of costs and subsidies as well as profits in the oil industry. There are also many rates. Salazar (p. 251) calculates the profits in oil as the difference between petroleum buying and free selling rates multiplied by the dollars sold by the oil companies, an approximation we follow here. Salazar's figures are substantially larger than the net exchange profits of 731 in 1961, 974 in 1962, and 1237 in 1963. See Harris and BID Datos Básicos ... For 1956 and 1950 figures on total petroleum sales of dollars (MMH PODE 1961, 1363 & 557) were multiplied by .23 Bs. For 1966-73, .085 Bs. was used. See BCV Informe Económico 1973, p. 165 for example.

<u>Wages and</u>	1950 MMH, <u>PODE 1961</u>
<u>Other Labor</u>	1956-68 MMH, <u>PODE 1969</u>
<u>Costs</u>	1970-73 MMH, <u>PODE 1973</u>

/Figures on

Figures on labor costs were revised in 1967 based on a survey of the companies. (See MMH, PODE 1967). However, the revision was not done for 1950 and thus the data for this year is not strictly comparable. Harris and Salazar use the old series which differ as follows: 1956 - 836, 1957 - 1023, 1958 - 1040, 1959 - 1055, etc. (See MMH, PODE 1961). However, Harris corrects for repatriated wages, giving a total of 702, 865, 867 and 881 for the same years. This correction is not attempted here.

Imports, Investments - 1950, 1956 MMH PODE 1961
1957 MMH PODE 1967
1958 MMH PODE 1968
1959 - 68 MMH PODE 1969
1970 - 73 MMH PODE 1973 (Imports 1970 and 1971).
(BCV Informe Económico and not strictly comparable, but the difference appears to be small. Imports 1973 not available and assumed equal 400).

Local Sales - 1950 - MMH PODE 1968 (consumption)
1956)
1957-1961) MMH PODE 1969 (1956, consumption)
1958 - MMH PODE 1968
1963-1973 -MMH PODE 1973 (Adjustments to MMH PODE 1969 figures for 1963 (19) and 1965 (1) to include "petróleo", not included earlier. Local sales via consumption estimates not strictly comparable.)

Wages to Capital - 1957-1959 1963-1968 MMH PODE 1967-1969 1970-1973 MMH PODE 1973
Other years - Salazar.

Other Costs of Operation - 1970-1973 - MMH PODE 1973
1949, 1954, 1956, 1959-1969 - MMH PODE 1969
1948, 1950, 1953, 1956, 1958 - MMH PODE 1968
1947, 1952, 1957 - MMH PODE 1967

Computed from "costos y gastos de operación" less wages and salaries and other labor costs, plus wages and salaries to capital. From 1970 on, includes other income as a deduction in the original source, so an estimate of other income was added to the MMH figure. Figures for 1957 and 1958 are not strictly comparable, but the difference is no more than 10 for any year between 1959 and 1962. See MMH PODE 1968 and 1969. The 1950 and 1956 figures were calculated using the per bbl. figures, owing to a large discrepancy between the revised series and unrevised series shown in MMH PODE 1961.

/Table 4

Table 4 DISTRIBUTION OF VENEZUELAN GOVERNMENT SPENDING ^{1/} BETWEEN CURRENT AND CAPITAL ACCOUNTS

	1953/4 1956/7	%	1957/8 1958/9	%	1959/60 ^{2/} 1963	1964 to 1968 ^{16/}	%
Total Spending	12 288		12 716		29 010	40 840	
Current	6 684	54	5 933	47	18 553	26 966	66
Salaries & Purchases	4 698	38	3 646	29	10 555 ^{12/}	14 790	36
Transfers & Subsidies ^{2/} of which University	601	5	670	5	2 147 ^{12/}	4 022	10
Transfer to states (situado) ^{3/} of which P.O.E. ^{4/}	103	1	109	1	541	1 332	3
Public Debt ^{5/}	1 318	11	1 571	12	3 770	5 730	14
Capital	67	1	445	3	406	2 236	5
Real Investment	5 604	46	6 783	53	2 082	13 876	34
Roads & Ports	3 632	30	3 646	29	10 457	6 738	16
Building & Sanit. ^{6/}	1 301	11	1 735	14	5 349	3 300	8
Hydraulic Works (Irrig.,)	996	8	711	6	2 347 ^{13/}	1 040	3
Military	410	3	162	1	1 237 ^{13/}	955	2
Agric.	247	2	153 ^{2/}	1	731 ^{13/}	212	1
Elec.	196	2	212	2	146 ^{14/}	177	1
Other ^{7/}	58		66		139 ^{15/}		
Financial Investment	424	33	607	5	749	1 055	3
of Which Simon Bolivar Center	442	3	344	3	527	733	2
Housing	217	2	128 ^{10/}		77		
Indirect Investment	1 529	12	2 793 ^{11/}	22	172	6 405	16
Development Corp. (C.V.F.)	241	2	398	3	4 580	493	1
Guayana Corp. (C.V.G.)	122	1	380	3	548	1 237	3
Andean Corp.					1	124	
Petrochemicals (I.V.P.)	240	2	425	3	279	285	1
Sanitary Works (I.N.O.S.)	176	1	438	3	652	1 077	3
Workers (Housing) Bank (B.O.)	73		468	4	591	1 151	3
Agric. & Lives Bank (B.A.P.)			86	1	383	757	2
Agrarian Reform (I.A.N.)	132	1	170	1	649	828	2
Petroleum Corporation (C.V.P.)					59	242	1

DISTRIBUTION OF VENEZUELAN GOVERNMENT SPENDING ^{1/} BETWEEN CURRENT AND CAPITAL ACCOUNTS (cont.)

	1953/4	%	1957/8 ^{8/}	1959/60 ^{2/} to	1964 to
	1956/7		1958/9	1963	1968 ^{16/} %
University City (I.C.U.)	128	1	44	93	
Telephones (C.A.N.T.)	42		33	33	109
Airlines (L.A.V.)	42		44	53	45
Railroads etc. (CNFF & MM)	209	2	246	109	27
Hotels (Conakotu)	125	1	61	27	30

DISTRIBUTION OF VENEZUELA GOVERNMENT SPENDING ^{1/} BETWEEN
CURRENT AND CAPITAL ACCOUNTS

Sources

1953/4-Ministerio de Hacienda, Estadística Biscal 1944/5 - 1953/4.

1954/5 to 1958/9-M.de Hacienda, Evolución de los Gastos del Gob.Nac.1954/5-1958/9.

1959/60 to 1961 Calculations of author based on 1967 Memoria del Ministerio de Hacienda

1962 to 1967 calculations of author based on 1967 Memoria del Ministerio de Hacienda

Salaries and Purchases calculated as a residual when other items are changed.

1968 - Primer Mensaje del Ciudadano Presidente de la República, Carlos Andrés Pérez al Congreso Nacional.

Notes

- 1/ Gastos acordados - including acreencias.
- 2/ Payments for prevision social, becas, universidades, autonomos institutes (service), subsidies, and other transfers.
- 3/ Capital plus current, plus credit to D.F.
- 4/ Includes Plan of Economic Recuperation 1960-1 to 1963.
- 5/ Includes Acreencias up to 1957/8, Administrative Debt after 1962.
- 6/ Includes Public Buildings, Schools, Hospitals, Housing, plus sanitary works by MOP and Min. SAS. After 1958/9 MOP appears to delegate housing to BO, sanitation to INOS.
- 7/ Includes Diq. & Astilleros including Auton. Inst., Communications (assumed 40/yr. 1958/9 to 1961), Salt Works, Hipodromo 138 in 1957/8, 11 in 1958/9, evaluation of Nat. Resources, Other, Tourism (1958/9 Tourism estimated).
- 8/ Capital Account changed from original source to reflect errors and imprecision in original, differences in later classification. 1958/9 spending includes insubstancias 158.9 and rectifications 5.1. Of the insubstancias 47.2 were in Salaries & purchases 30.5 in roads, 8.5 in buildings & sanitation, 13 in INOS, 5 in CVF, 5.1 in IAN, 5.8 in ICU. Figures for 1958/9 from Evol. total 6619.1 as compared with 6623.6 by ministries in Mem.1967.
- 9/ 1958/9 estimated as MOP spending in MD, multiplied by 1958 ratio of MOP execution to total (86.1 per cent). Taken from Building in original.
- 10/ 1958/9 CSB included in Buildings in original source. Does not appear separately in any ministry budget and cannot be separated.
- 11/ 1958/9 figures for LAV, IAN, SIDOR, CNFF are slightly higher than shown in original comparable taldes. They were taken directly from spending by ministries.

- 12/ Becas assumed to total 30 for 1959/60; 1960/61, and 15 in 1961.
- 13/ Calculated from MOP execution 1959/60 to 61, excluding POE, using MOP, Inversiones 1959-1966 MOP, B.O., INOS for percentages in the three categories.
MAC roads, housing and sanitary were added to MOP estimates.
- 14/ Military calculated from Ministry of Defense, capital spending multiplied by 85 per cent to arrive at exention.
- 15/ Assumed 80 for period 1959/60 to 1961.
- 16/ Figures for 1968 estimated from Primer Mensaje ..., and CIAP, Evaluación del Plan de la Nación 1970-74, for Universities and Indirect Investment plus additional 50 credit to BAP (BCV Informe Económico 1968). Estimates of real investment by type were made using the percentages for 1964 to 1967, yielding 730, 230, 211, 47, 39, 233 respectively. Financial Investment was assumed equal to credits (65), other uses of capital (30) and Financial Investment (27). Salaries & Purchases include Other Current. Transfer are a residual.

Table 5

FEDERAL EXPENDITURE BY FUNCTION

	1953/4-56/7	%	1957/8-58/9	%	1959/60-63	%	1964/1968 1/	%
ADMINISTRATION	2 832	23	2 478	20	5 342	18	7 142	18
Gen. Admin. 2/	991	8	763	6	1 654	5	1 995	5
Police and Just.	528	4	342 6/	3	847 6/	3	1 169	3
Defense	1 320	11	1 307 6/	10	2 637 6/	9	3 978	10
Other 3/			66	1	204	1		
ECONOMIC	4 841	39	5 489	43	9 642	33	12 011	29
Agriculture	984	8	880 12/	7	2 898	10	4 149	10
Min., Petroleum	93	1	120	1	286 8/	1	496	1
Manufacturing	620	5	1 243	10	1 582 9/	5	1 450	4
Electricity	58	-	66	1	405	2	660	2
Trans., Communic.	2 657	22	2 887	23	4 330 10/	15	5 105	12
Tourism	155	1	203	1	42	-	51	-
Other (inc. fin assets)	274 4/	2	89	1	99	-	101	-
SOCIAL	3 265	27	3 156	25	8 142	28	13 719	34
Education	928	8	722	6	3 326	11	3 393	8
Public Health	967	8	834	7	2 185	7	5 227	13
Housing, Urban	1 021 4/	8	1 312	10	1 659	6	3 427	8
Water, and Rec.								
Social Security	266	2	251	2	882 1/	3	1 561	4
Labour	83	1	37	-	90	-	110	-
TRANSFERS TO STATES	1 303 5/	11	1 571	12	3 771	13	5 698	14
TRANSFERS TO CHURCH	14	-	17	-	29	-	34	-
DEBT (amort. and int.)	25	-	10	-	2 083	7	2 236	5
TOTAL	12 287		12 721 7/		29 009		40 840	

SOURCES AND FOOTNOTES

Sources

- 1953/4 - Ministerio de Hacienda, Estadística Fiscal 1944/5 - 1953/4.
1954/5-57/8 - Ministerio de Hacienda, Evolución de los Gastos del Gobierno Nacional 1954/5 - 1958/9.
1958/9-1961 - Estimations of author based on Memoria de Hacienda 1967, using methology described in Evolución de los Gastos ...
1962-1967 - Ministerio de Hacienda, Memoria 1965 and Memoria 1967.
1968 - Estimations based on Gastos pagados 1968 shown in CIAP, Evolución ..., Presupuesto 1968 and Table 4. See note.

Footnotes

- 1/ Figures for 1968 calculated by applying the percentages of Gastos pagados shown in CIAP.
(excluding situado and public debt which were taken from Table 4) to the figure for Gastos acordados of 9278. This procedure was made necessary by the unavailability of the Memoria de Hacienda 1968, and biases the estimated spending toward the 1964 to 1967 pattern.
- 2/ General Administration 1953/4-58/9 includes financial administration less CVP, which was assumed to be industry.
- 3/ Other is composed of end of year payments and reintegros in the years 1958/9 to 1961, which appear in the Ministry of Hacienda and cannot be allocated.
- 4/ Differs from original source in treating 1956/7 expenditure on Simón Bolívar Center (131) as part of Housing etc.
- 5/ Difference of 15 in original source in 1956/7 between figures shown in spending by function and the division between capital and current.
- 6/ Values of construction of jails and military buildings, each assumed to be 15 in 1958/9, 38 in 1959/60, 28.3 in 1960/1 and 12.2 in 1961.
- 7/ Spending by ministries in 1958/9 totals 6623.6 as compared with 6619.1 shown in Evol.
- 8/ In the 1962 original source, expenditure in CVP appear to be in industry. Therefore 27 was transfered from industry to mining.
- 9/ In 1960/1 assumed all of EVG in electricity in 1961 half in electricity, half in industry.
- 10/ In 1962 P.O.E. expenditures by MOP of 30 appear in Transport and Communications. To achieve consistenly these were transferred to Transfer to States.
- 11/ Estimates were made for various ministries, including MOP 1959/60 to 1961. These are probably sub-estimates and would lower spending in such accounts as Transport and Communication, Housing.
- 12/ Appears to exclude spending on Hipódromo.

Table 6

SELECTED CAPITAL EXPENDITURES BY REGION

	Central	West	East	Plains	Guayana
<u>1954/5-1957/8</u>					
MOP + INOS	1 619.8	954.4	160.6	229.5	79.1
Petrochemicals	476.7				
Steel					355.9
Irrigation				262.9	
Electricity					122.0
Simon Bolivar Center	345.3				
Race Track	138.0				
	<u>2 579.8</u>	<u>954.4</u>	<u>160.6</u>	<u>492.4</u>	<u>557.0</u>
Per cent	54.4	20.1	3.3	10.4	11.7
Per cent population 1950	30.8	39.3	16.4	10.1	3.4
<u>1959/63</u>					
MOP+INOS (inc.irr.)	1 443.9	908.9	589.1	644.0	128.4
Petrochemicals	279.0				
Steel & CVG (inc.elec.)					1 104.0
Simon Bolivar Center	77.0				
	<u>1 797.9</u>	<u>908.9</u>	<u>589.1</u>	<u>644.0</u>	<u>1 232.4</u>
Per cent	34.8	17.6	11.4	12.5	23.8
Per cent population 1961	34.8	36.5	14.9	10.3	3.4

Sources and Notes: 1954/5-1957/8 - Comisión de Estudios Financieros y Administrativos, Evolución de los Gastos del Gobierno Nacional, p. 42, 45,62, Tables 4 and 5.
 1959/63 MOP Inversiones 1959-1966 - M.O.P., B.O., INOS. Tables 4 and 5
 Population excludes Dep. Federales and totals 5 0340 million in 1950 and 7 5233 in 1961.

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