

## Oil, Culture, and Society

**M**ass mobilizations for and against the government, a failed military coup in April 2002, a lockout and strike engineered by oil company managers and opposition forces in December 2002, sporadic acts of violence in 2004 to promote instability, and an unsuccessful presidential recall—all these have exposed profound divisions within Venezuelan society. The presence of deep-seated political and social fissures challenges the view of Venezuela as a “model democracy” able to avoid the crippling instability and divisions that have beset other Latin American nations.<sup>1</sup> And the class, political, and even racial polarization that has surfaced since the election of President Hugo Chávez Frías can be traced in part to very different visions of the nation and society that evolved from protracted experience with the oil industry.<sup>2</sup>

The oil industry remains the central component of the Venezuelan economy and has been a decisive factor in the evolution of social and class structures since its development in the early twentieth century. Venezuelan élites and middle classes expected that oil would transform the country on many levels, introducing modern technology, fomenting economic development, breaking the stranglehold of the old landed élite, encouraging new democratic political forces, stimulating the growth of the middle class, and creating an efficient workforce.<sup>3</sup> The actions of the foreign oil companies that operated in Venezuela played out on a vast stage. They reorganized physical space, determined national policy, transformed the lives of employees, and in the end influenced the perspective of generations of Venezuelans. Oil, to cite the historian and former

communist leader Juan Bautista Fuenmayor, is the “key that permits us to decipher the political enigma of Venezuelan politics in the last seventy years.”<sup>4</sup> More to the point, Domingo Alberto Rangel argues that “no event in Venezuela can be separated from oil. . . . It is the fundamental force that shapes national life. All aspects of the Venezuelan economy are the legitimate or bastard children of that substance that irrevocably stained our history.”<sup>5</sup> Thus oil is fundamental to any understanding of the military regimes of the early twentieth century, the period of the *Trienio* (1945–48), and the subsequent system of “pacted democracy” after 1959, as well as the government of the radical president Hugo Chávez since 1999.

#### AGENT OF MODERNIZATION

As the new source of revenue for the nation, the oil companies exercised a tremendous influence over both local and national affairs. The beginnings of the oil industry coincided with efforts by the military strongman Juan Vicente Gómez (1908–35) to consolidate control over a fractured polity and a nation in which local and regional cultural expression predominated. To accomplish this task, Gómez sought to reduce the power of regional élites and limit landed and commercial interests while asserting the authority of the national government. The international oil companies provided Gómez with the political legitimacy and economic resources needed to consolidate power; for their support they were generously rewarded.<sup>6</sup> During the Gómez era the foreign oil industry and the Venezuelan state became inextricable.

Attentive to the exercise of power and to foreign investments, however, the government did little in the area of social investment.<sup>7</sup> With a relatively weak state apparatus offering few if any services to its population, the foreign oil companies found themselves fulfilling many of the traditional functions associated with the local, state, and even national government. Investments in infrastructure including roads, sanitation, water, and electrical works as well as social investments in schools, sports, churches, and health facilities proved essential to initiating and maintaining company operations. This investment was part of the strategy of “progressive industrialism,” which in the long run helped the companies co-opt the opposition and avert disruption from labor militancy, community protests, and expressions of nationalism. Moreover, since their activities were typically framed in the language of modernization, the foreign oil companies usually enjoyed

the support of the state, and more importantly of a rising middle class that hoped to benefit from the presence of the industry. Some elements of society, as Fernando Coronil points out, conflated nationalism with the “pursuit of economic development and collective prosperity.”<sup>8</sup> Thus it was not surprising for the minister of development Juan Pablo Pérez Alfonzo to assert in 1947 that foreign investment in the oil industry was largely “irrelevant; what is important is that they function in the country with a Venezuelan labor force and that is why we consider them as Venezuelan enterprises.”<sup>9</sup> Accepted by those in power as “Venezuelan enterprises,” the foreign oil companies gradually evolved their own separate power structure that created alternative sets of loyalties among their employees and other sectors of society.

#### THE VENEZUELAN OIL INDUSTRY

The Venezuelan oil industry, and by extension the social relations that it engendered, can be divided into several phases. The first began in 1914 at Mene Grande and lasted until the Great Depression, initiating the first of many cycles of growth and contraction of the industry and the dislocation of thousands of workers, both Venezuelan and foreign.<sup>10</sup> The second, consolidation phase extended from the Depression through the Second World War and was characterized by the oligopolization of the industry by three major foreign oil producers. The advent of the war introduced a new urgency to the restructuring of the Venezuelan oil industry under way since the mid-1930s. The third, or institutionalized phase, beginning in the 1950s, witnessed the rise of normalized relations between government, foreign companies, labor, and Venezuelan society.<sup>11</sup>

Three enterprises—the Creole Petroleum Corporation (a subsidiary of Standard Oil Company of New Jersey), the Royal Dutch Shell Oil Company, and Mene Grande (a subsidiary of Gulf Oil)—emerged as the leading producers. The labor movement, active since the late 1920s, became an important political force and demanded a greater voice. The nationwide oil strike of 1936 exemplified the emerging power of the nascent labor movement. A decade later, in 1946, the oil unions signed their first formal contract with the companies, inaugurating a new era in labor-management relations. Venezuelan labor remained bitterly divided, however, between the communist factions and the Social Democrats represented by *Acción Democrática*

(AD). The roughneck from the United States and the Venezuelan day laborer, or *obrero*, who characterized the expansion phase of the industry slowly gave way to university-trained engineers and career company employees. During the consolidation phase the number of Venezuelan workers in the industry increased, and many acquired administrative positions in the companies. Despite the rhetoric of meritocracy, for most Venezuelans employment was increasingly contingent on an extended network of family relations and personal contacts within the industry.

After the Second World War oil production acquired a certain “normalcy.” Exploration continued and well production increased, but the chaos and exhilaration of the early years no longer permeated operations. This institutionalized period was marked by a settled and established industry, including formal relations between the large oil companies, national and state governments, labor organizations, the church, and civil society. By the 1960s upwards of 25 percent of the Venezuelan population lived in or near an oil camp.<sup>12</sup> Camp life became more routinized and hierarchically stratified. For both expatriates from the United States and Venezuelans, status in the company determined one’s social networks and living arrangements. Thus the oil camps included separate living areas—senior and junior staff residences and the more modest *campo obrero* (workers’ camp). Distinctions were also evident even among the senior employees, and not all expatriates had the same privileges. Differences in housing and status notwithstanding, a pervasive corporate culture permeated labor relations and social arrangements.

The residential communities, or *campos petroleros*, that the foreign oil companies fashioned to house their local and foreign employees became the most important stage for the profound economic, social, and cultural changes that Venezuelans experienced after the discovery of oil. At the economic level the companies controlled employment and provided housing, while at the social and cultural level they organized recreational activities and oversaw the education of employees and their families. The creation of these Venezuelan residential enclaves involved an unparalleled degree of social engineering. The oil camp thus embodied a multidimensional process of social adaptation and acculturation that ranged from the uses of private and public space to the encouragement of preferred cultural norms and social practices.<sup>13</sup> Characterized by a symmetrical urban schema and efficient ad-

ministration, these communities represented a modern economic and social order. In contrast, lacking even basic services, most rural Venezuelan communities were the antithesis of this new modernity. Employees of the oil industry found themselves in a unique position. As the highest-paid workers and professionals in Venezuelan society, they were important models for the nation, a situation that the foreign companies repeatedly used to their advantage. If the industry was an instrument of modernity, its employees were expected to “model” modernity for other Venezuelans. The oil camp, and its seemingly ordered society, were a tool of socialization as well as control of the workers and their families. In this male-dominated industry, the family became the framework for crafting new social values and organizing civic society and everyday life. While traditional studies minimize their role, women were a key component of the oil industries’ broader socialization project at work, in the camps, and in society at large.

Those employed by the foreign oil companies and many in the middle class developed a vision of a modern Venezuelan nation rooted in the social and political values promoted by the industry. Under these conditions, the industry in general and the oil camp in particular were sites of social engineering and cultural hegemony.<sup>14</sup> Gradually the values promulgated in the industry influenced the ever-evolving “common sense” beliefs of important segments of the population. Many directly employed or indirectly benefiting from the oil industry subsequently assumed key positions in Venezuelan society, government, commerce, and industry. Their views reflected a series of self-sustaining myths about the oil industry and its importance to the nation and society. Paramount among these was the notion that for Venezuela the oil industry was the means to achieve modernity in all its forms. For those employed by the industry, these new modern traditions accentuated certain traits and behavior patterns—discipline, efficiency, work ethic, meritocracy, and in some cases even bilingualism—that helped define the “collective consciousness” of the oil industry and distinguished those working in it from the rest of society.<sup>15</sup> For them the interests of the industry increasingly become synonymous with the interests of the nation, a conflation that had its roots in the Gómez era. Their outlook celebrated Venezuela’s newfound importance in the international economy, which in turn necessitated close relations with the economic system of the United States. The perspective of oil industry interests evolved over time,

adjusting to new social conditions and relations of power. Oil, to paraphrase the famed essayist Arturo Usler Pietri, not only determined the character of the Venezuelan economy but also created a false image of the nation, a national consensus premised on the illusion of prosperity.<sup>16</sup> The portrayal of a prosperous oil economy transforming the nation obscured the fact that a significant portion of the Venezuelan population existed on the margins of the oil economy.

#### BLACK GOLD

After nearly a decade of exploration, a gusher at the Barroso no. 2 well near the town of La Rosa on the eastern shore of Lake Maracaibo on 14 December 1922 captured the attention of the nation and the world. Soon dozens of foreign companies acquired vast tracts of territory in the hope of striking it rich, and by 1928 Venezuela became the world's leading oil exporter.<sup>17</sup> Oil ended Venezuela's relative anonymity in the eyes of world powers, making it a linchpin of an ever-expanding international oil industry and a new consideration in global policymaking.<sup>18</sup> Venezuela's oil production became a major factor in policy making in Washington before the Second World War.

The initial stage of oil production in Venezuela proved chaotic, socially explosive, and largely uncontrolled. The establishment of the oil industry prompted the relocation of thousands of rural Venezuelans and their families to the emerging oil towns that dotted the Lake Maracaibo area, the principal site of oil production. It brought an untold number of workers from the United States and Britain to the new oil fields. Roustabouts, roughnecks, and drillers from Texas, Louisiana, and Oklahoma, some with previous experience in Mexico's oil fields, constituted the initial wave of expatriates.<sup>19</sup> Despite their status as private citizens, most Venezuelans viewed employees from the United States as *de facto* representatives of their government, who sought special status and in many cases were afforded it. The industry also attracted a significant number of West Indians, Chinese, and some veteran oil workers from Mexico.

The much-heralded arrival of the oil industry, typically framed as the harbinger of a new modern era, proved rather disappointing for the local people whose communities stood in the way of "progress." The presence of the oil companies and the waves of newcomers, not all employed in the

industry, compelled the wholesale reorganization of society. These changes introduced new patterns of labor relations and forms of production, recast traditional gender expectations, inspired labor organizing and political activity, and created new patterns of consumption and fashion. It also spurred an unprecedented land grab by oil companies and regional élites that forced the dislocation of small and medium-sized local proprietors. The uncontrolled search for oil also proved damaging to the environment and the health of the people who inhabited the production sites. Wells often spewed their contents over lakes, land, and foliage. The smell of oil and leaking gas wafted over the communities, and the once pristine Lake Maracaibo, the largest body of freshwater in South America, became quickly contaminated.

Located in relatively isolated parts of Venezuela with almost no effective infrastructure or services, the local municipalities proved incapable of addressing the needs of the industry or the new population that it attracted. As they had done elsewhere in Latin America, the foreign oil companies, to initiate extractive operations, had to secure and train a reliable labor force and begin refashioning the tropical environment that lay atop the vast underground oil reserves. The newly assembled labor force quickly laid pipelines and erected drilling platforms, storage tanks, and working facilities. Initially accommodations for workers were rudimentary at best, usually consisting of tents or adobe structures for the foreigners and simple lean-tos and hammocks for the Venezuelans. The waves of migrants produced a reconfiguration of urban space and prompted new economic ventures catering to the needs of the expanding population. During their initial phase the settlements that took shape alongside the oil fields resembled a makeshift society in which each regional group and nationality sought to recreate its social norms and cultural traditions against the backdrop of an emerging corporate culture. As the labor force expanded and companies sought to exercise greater control over their employees and their lifestyle, they began to construct formal residential communities to house foreign and Venezuelan workers.

The organizational framework of the Venezuelan oil camps borrowed from the experience of the company town in the United States during the late nineteenth century and the early twentieth. Near textile mills and in remote mining regions, employers in the United States built facilities for

their workers and families. The company town as an institution declined in the United States in the 1920s at almost the same time that it expanded in Venezuela.<sup>20</sup> While many labor unions in the United States fought against the visible symbols of corporate intrusion into their lives, including company housing, recreational clubs, and commissaries, Venezuelan oil unions ironically defended these as benefits.<sup>21</sup> Oil workers and their unions, for example, adamantly supported the *comisariato* (commissary) system that provided them with a wide array of foodstuffs at regulated prices.

Reflecting the Jim Crow policies prevailing in their own country, firms such as the United Fruit Company established racially segregated residential camps for employees from the United States working in Cuba, Guatemala, Honduras, and the Dominican Republic. A *de facto* camp operated by the United States government provided housing for foreigners employed in the Panama Canal Zone. Mining companies in Mexico, such as those at Cananea, Sonora, also maintained separate residences for foreign and local workers. In the neighboring island of Trinidad, on the edges of the Bermudez tar lake, the Pitch Lake Company built separate quarters for its employees.<sup>22</sup>

In Venezuela the new residential enclaves brought populations from throughout the country face to face for the first time. Not since the wars of independence had Venezuela witnessed such a dramatic movement of people within its borders. The results of this discourse could not always be predicted. Groups as distinct as the *Andinos* (Andeans) and the *Orientales* (Easterners) began a process of mutual recognition. Encounters between these groups of Venezuelans created the conditions for negotiating regional differences. Exchanges about contrasting lived experiences initiated discussions on what it meant to be a Venezuelan, beginning a national discourse in the oil camps and adjacent communities. Interaction between diverse groups of Venezuelans with no previous contact also exposed underlying tensions that could be exploited by local politicians. In Zulia, for example, state officials confronted by labor militancy in the late 1930s scapegoated residents of the island of Margarita and ordered their expulsion from the state.

The early industry was characterized by tangled and discordant class and racial antagonisms, and as a result there has been a tendency for the study of oil workers to focus on labor struggles. Yet the complex process of socializa-

tion that oil workers, their families, and Venezuelan society underwent has attracted scant attention. This book breaks from the traditional approach to the study of the Venezuelan oil industry and addresses other, often more complex, forms in which workers and the middle class were integrated into a national project centered on oil production. Moreover, it contrasts the experiences of Venezuelans to those of foreigners in the industry, who were an essential economic and social component of this broader process. At different stages foreigners, whether from the West Indies or from the United States, were the “other” against which sectors of Venezuelan society evaluated their own situation. This perspective does not negate the role of class struggles, but rather highlights the dramatic social and political changes that the oil industry promoted after the 1930s.

The internal social dynamics of the oil industry and its residential camps helped to frame the power relationships between the foreign companies and the evolving nation-state. The acculturation process experienced in the camps deeply influenced politics, models of citizenship, and socialization among broad segments of the population. Notions of citizenship that developed in the camps rested on a vision of the nation framed not only by systems of inclusion but also by exclusion, since these forces coexisted side by side and were regularly being redefined and renegotiated.<sup>23</sup> They reflected the promotion of social practices, customs, values, and normative expectations encouraged by the industry and not the nation-state. By using a sociohistorical approach, it is possible to explore the unique role occupied by the oil industry and the preeminent position that it acquired in Venezuelan society. This method of analysis also provides important insights into the nature of contemporary Venezuelan politics and society, in which competing notions of the state and the role of the oil industry remain at the heart of the political debate.

As oil became an important source of employment, attracting thousands of former agricultural laborers, the industry undermined the political and economic power of the traditional landed élite. It also restructured political relations, forcing the national government and state entities to negotiate new arrangements and incorporate new actors, especially the middle class and workers. Despite the outward support of the strongman Juan Vicente Gómez, during this chaotic boom period the oil companies confronted labor protests, disputes with local municipalities, and the increasing resentment

of the traditional landed oligarchy. Faced by powerful international trusts that had the support of their respective governments, Gómez skillfully manipulated political and social discontent to improve his negotiating position and extract concessions from the oil companies.<sup>24</sup> For the foreign companies these vexing problems were reminiscent of conflicts earlier encountered in Mexico, which led to the nationalization of the industry in 1938. Learning from these experiences and seeking to avoid “another Mexico,” after Gómez’s death the larger foreign companies gradually elaborated a vision of corporate citizenship that sought to allay nationalist concerns over their role in Venezuelan society. As a strategic resource in the world economy that was central to any nation’s ability to wage war, oil assumed a special position among export products. On the eve of the Second World War, oil companies and the powers they represented could not afford to let Venezuela go the way of Mexico and disrupt world oil supplies.

Over time, Venezuelan governments gradually wrested concessions from the foreign oil companies, augmenting their share of revenues but never challenging the companies’ fundamental role in the economy.<sup>25</sup> After the Mexican nationalization, Venezuela became the only nation in Latin America that permitted large-scale production of oil by foreign companies. Seeking to portray themselves as indispensable partners in the development of the Venezuelan nation, the companies embarked on an ambitious program that went beyond paying wages and making housing arrangements to extend to shaping the social and cultural practices of their employees.<sup>26</sup> What began as a gradual policy of hiring and training Venezuelan engineers and professionals in the early 1930s had by the late 1940s become a formal policy of “Venezolanization,” promoting Venezuelans to assume most daily operations, while still reserving key management posts for foreigners. Within this framework the foreign companies promoted the image of the model worker and the ideal public citizen who associated corporate interests with the progress of the nation. Undoubtedly this policy also sought to mitigate labor and middle class unrest, but implemented over several decades, it generated broad and far-reaching social outcomes.

The central role of oil in the Venezuelan economy had the effect of privileging the demands of the oil workers and their unions, whose struggles came to symbolize the nation’s valiant struggle for equality and dignity against greedy foreign cartels.<sup>27</sup> The labor unions in the oil industry stood

for the aspirations of all workers, since the policies adopted by the industry set the pace for the rest of the labor movement, and on occasion evoked international solidarity. Owing in part to their long legacy of militancy, by 1946 oil workers enjoyed the Venezuelan workforce's highest salaries and best benefits packages, becoming what some have called a "labor aristocracy."<sup>28</sup> No other collective bargaining agreement matched the enviable benefits provided for by more than one hundred clauses of the oil workers' contracts. Although they never accounted for more than a small fraction of the workforce, oil workers and their unions became the most powerful component of the Venezuelan labor movement.

Attempts by the Venezuelan middle class to acquire employment in the industry reflected its goal of displacing traditional economic and political élites and gaining new ground in society. For the small yet ambitious Venezuelan professional and managerial class, employment in the oil industry offered the opportunity to enjoy a life comparable to that of the middle class in the United States, a life that was otherwise unattainable. With employment in the oil industry increasingly dependent on family relations and other connections, the company nurtured an interlocking social network of bonds of obligation and loyalty among its employees. The values that workers and middle managers forged throughout the industry created a strong sense of group solidarity that transcended traditional class boundaries. The continued success and expansion of the industry became the guarantor of their lifestyle and privileged status.

Definitions of the middle class in Latin America remain elusive; the term is often used and seldom fully defined. The definition of middle class employed here borrows from the work of Alejandro Portes, who sought to capture the "basic cleavages of interests around which large social groups coalesce."<sup>29</sup> In relative terms the middle class is small, yet it enjoys a privileged social status and a disproportionately large degree of power. Portes describes the middle class as a bureaucratic and technical class that "lacks effective control over the means of production" but that nonetheless directs and controls the labor of others. Besides maintaining "the infrastructure required for economic production," the middle class is expected to perform an important political role and "guarantee the stability of the social order."<sup>30</sup> Within the oil industry it encompassed upper- and middle-level managers and professionals including lawyers, engineers, geologists, technicians, and

doctors. As the most educated sector of society, it played an important role in the formation of public opinion and in countering ideas “opposed to the status quo.”<sup>31</sup> As a matter of policy, the foreign oil companies focused much attention on the middle class, encouraging the expectation that through personal initiative every employee had the opportunity to join its ranks.

Dominating the economy and confronting a relatively weak state, the oil companies and their employees came to represent a separate and distinct power within Venezuela, what some have described as a state within a state. Increasingly dependent on maintaining an export-driven economic model, a generation of political leaders, intellectuals, and others incorporated elements of the foreign companies’ perspective of “development” into their own discourse. In post-Gómez Venezuela, acceptance of this model by influential segments of society provided foreign corporate interests with an important political, social, and cultural shield against nationalist and leftist challenges. The nexus of oil company interests and Venezuelan discourse on development was the popular notion of *sembrar el petróleo*, or sowing oil. Dating from the 1930s and employed by the foreign oil companies, the government, and leading intellectuals, the concept embodied the idea that oil profits could be metaphorically planted, producing non-petroleum economic growth and helping the country achieve alternative forms of development. Allowed to operate freely, the companies provided the profits that the Venezuelan state would judiciously invest to nurture modernization and growth. *Sembrar el petróleo* became a mildly nationalist slogan that adorned government buildings and oil company offices and was featured prominently in publications and other media. It defined the perspective of government and political leaders and intellectuals, who accepted the premise that the operations of foreign oil could be reconciled with national interests.

By the late 1950s foreign oil companies operating in Venezuela began to abandon the policy of progressive industrialism that previously characterized their relationship with Venezuelans and the state. During the early, formative period of the industry, the foreign companies had performed functions normally assumed by the state. As political conditions changed in the 1950s the oil companies began to withdraw from the social arena. Several factors drove the change in policy; the cost of maintaining older res-

idential camps and providing services increased, while the expiration of existing oil concessions loomed ever closer. With the ouster of the dictator Marcos Pérez Jiménez in 1958, Venezuela entered a new democratic phase. Venezuelans resented the ubiquitous presence of the foreign oil companies, especially when they eclipsed the newly emerging democratic state. The new Venezuelan state increasingly assumed responsibility for social services and played a greater role in the economy. This trend continued throughout the 1960s, setting the stage for the eventual nationalization of the industry in January 1976.

After nationalization the newly formed Venezuelan oil company *Petróleos de Venezuela* (PDVSA) continued under the direction of its former Venezuelan managers and inherited the corporate culture of the previous foreign multinationals. Throughout the 1990s PDVSA officials attempted to insulate the enterprise from government intrusion and sought to recast the newly formed enterprise in the role of an international oil conglomerate. By attempting to shield PDVSA they repeated the economic and political practices pursued by the foreign companies, but without implementing the social agenda that had mitigated concerns about the role of an all-powerful multinational on Venezuelan economy and society.

The lockout and strike of 2002–3 against Chávez’s government, in which PDVSA officials played a decisive role, again prompted discussion about whether the oil company was a power separate from the state. Some scholars advanced the notion that PDVSA and its board of directors, like the foreign managers before them, functioned largely as an independent power, restraining and at times coercing the nation-state.<sup>32</sup> They highlighted the way the PDVSA directors imposed their will on previous administrations and now pursued a similar course of action against Chávez’s government.<sup>33</sup> This book argues that the proposition of a state within a state has an important cultural and social component as well, one that is framed by the profound experience of thousands of Venezuelans who participated directly and indirectly in the oil industry. The ability of the oil conglomerate and its former executives to influence politics rested not only on economic power but also on a set of cultural and social experiences that informed the lives of generations of Venezuelans employed by or associated with the oil industry. Efforts by Chávez’s government to “renationalize the industry,” gain control

over previously negotiated heavy crude contracts, and establish a new set of relations between PDVSA, the state, and the populace did not occur in a vacuum. A historical overview of the factors that gave rise to the oil industry provides one way to understand current developments in Venezuela. With declarations that “Venezuela is now ours” and of a “new PDVSA,” the discourse on the oil industry has come full circle.