

Anti-Hunger Policy in Brazil and Venezuela:
A Comparative Historical Study

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Abstract

RUSSELL BITHER-TERRY: Anti-Hunger Policy in Brazil and Venezuela:
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Hunger remains a problem in Latin America. This thesis compares the approaches taken by Brazil and Venezuela to combating it, focusing on each country's largest anti-hunger program: the Fome Zero program of conditional cash transfers to low income households in Brazil, and the Misión Mercal program of subsidized food in local public grocery stores in Venezuela. Both programs came about because Venezuelan President Hugo Chavez and Brazilian President Lula represent sectors of society long marginalized from the political process—the urban and rural poor who seek programs to reduce poverty and promote economic equality. Brazil chose its approach due to limited resources, the need to appease international capital, and a fragmented party system. Venezuela chose its approach because of greater access to revenue, reduced state capacity, and an ideology focused on developing an alternative to capitalism (the “Endogenous Model”) dependent on local social organization.

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LIST OF ABBREVIATIONS

AD Democratic Action (Venezuela)

ARENA National Renovation Alliance (Brazil)

CCT conditional cash transfer

CONSEA National Council of Food Security

COPEI Comité de Organización Política Electoral

CTV Workers' Confederation of Venezuela

FBT Bolivarian Workers' Force (Venezuela)

GDP Gross Domestic Product

INE National Statistics Institute (Venezuela)

MDB Brazilian Democratic movement

MVR Movement of the Fifth Republic

OECD Organization for Economic Co-operation and Development

PSDB Party of Brazilian Social Democracy

PT Workers' Party (Brazil)

PTB Brazilian Labor Party

RBT race to the bottom

UNT National Workers' Un

1. Introduction

According to the United Nation's Millennium Development Goals, ten percent of the people in Latin America do not have enough food (data for 2000-2002), and the World Bank Development Indicators put the percentage of malnourished children under five years of age in Latin America and the Caribbean at seven percent. While there is a deal of variation across countries, with the malnutrition rates ranging from a low of 1 percent in Chile to a high of 23 percent in Guatemala, hunger is clearly a significant problem in much of Latin America. What are Latin American governments doing to address it? Why do governments pursue the policies they do in response to hunger?

The recent trend toward left government in Latin America includes two camps: a more moderate, reformist left and a populist left (Castaneda 2006), with Brazil and Venezuela popular examples of the two types, respectively. The reformist left is pragmatic, and has a deep respect for liberal democracy; the populist left is accused of excessive nationalism, overheated rhetoric, and policies that ultimately do not help those they are supposed to benefit.¹

Given these alleged differences, examining the approaches of the quintessential populist left government (Venezuela) and a quintessential reformist left government (Brazil) may illustrate these differences. This paper will focus on the largest anti-hunger

¹ Others have objected to this characterization. See Cameron, Maxwell A. *A false dichotomy* 2006 [cited July 18, 2007]. Available from http://commentisfree.guardian.co.uk/maxwell_a_cameron/2006/05/dichotomizing_latina_mericas_1.html.

program presently operating in each country: in Brazil this the Fome Zero program of conditional cash transfers (CCT) to low income households, and in Venezuela the Misión Mercal program of subsidized food in local public grocery stores. Do these different approaches reflect differences between the two kinds of left government in Latin America?

This paper addresses three questions:

- 1.) What anti-hunger policies exist in Brazil and Venezuela?
- 2.) Why did Brazil and Venezuela implement anti-hunger policies?
- 3.) Why did Brazil and Venezuela take different approaches to combating hunger?

The first question is obviously descriptive, but is a necessary precursor to the second. The second question is causal in nature. It is of course impossible to demonstrate an ironclad general theory of anti-hunger policy formation on the basis of two cases. Rather I place these two cases within a larger literature on the development of welfare policy and provide a parallel demonstration of two cases that are in accordance with existing theories. The third question is even more specific and more difficult to answer with certainty. Nevertheless I will provide some conjecture as to why the two countries took very different approaches to combating hunger.

I will argue that both Misión Mercal and Fome Zero came about because Venezuelan President Hugo Chavez and Brazilian President Luiz Inácio Lula da Silva (hereafter simply President Lula) represent sectors of society long marginalized from the political process—the urban and rural poor who seek programs to reduce poverty and promote economic equality. Given their emphasis on fighting poverty and the political

expediency of rewarding their political bases, it should not be surprising that both the Chávez and Lula governments have implemented anti-hunger policies.

Still, the two programs take very different approaches. While it is difficult to be certain why each country implemented the policies it did, well informed speculation it is possible. I will argue Brazil chose conditional cash transfers due to limited resources, the popularity of such programs with international financial institutions (particularly the World Bank), and a fragmented party system. Key factors in explaining the choice of subsidized local markets in are Venezuela greater access to revenue, reduced state capacity, and an ideology focused on developing an alternative to capitalism (the “Endogenous Model”) dependent on local social organization.

Section Two outlines the theoretical framework for my argument. Sections Three and Four will look at Brazil and Venezuela, respectively, outlining the recent development of anti-hunger policy and showing how democracy and left power led to its establishment, which is to say they address the first two questions posed above. Section Five analyze the differences between the two programs.

2. Theoretical Framework

A number of factors shape the nature of anti-hunger policy in any country. This section will survey this literature and theorize about the impact of each factor on the development of anti-hunger policies in Brazil and Venezuela drawing first on power resources theory, which contends that “the balance of class power is the primary determinant of variations through time and across countries in welfare state effort, particularly the distributive outcomes effected by social policy” (Huber and Stephens 2001: 3). While much of the power resource literature has focused on economically advanced societies, the key argument easily carries over to Latin America: the ability of a class to organize in order to gain leverage—in competition with the other social classes—will be the fundamental in shaping the distributional nature of social policy, including hunger policy.

However, Latin America differs significantly from the economically advanced societies. If we define working class blue collar workers in the formal sector, the working class lacks the numerical strength that gave it electoral influence in a country such as Sweden or Germany. Instead of looking narrowly at the working class, we expand our analysis to all the poorer classes, such as workers in rural areas and the informal sector. While these classes are far from identical, they have important common material interests: a reduction in inequality, improvement of social services, and better wages and working conditions for all poor people. These interests should put them on the left. Thus instead of working class power I look at left power—controlling one more branches of government, particularly the executive—as a measure of the ability of the poor to organize to change government policy.

Longtime anti-hunger activist and author Frances Moore Lappé by arguing for a connection between hunger and power, complements the power resources approach. The notion of food as a basic right has limitations, she argues, and among them is the tendency for people to “slide into passive mode—to assume provision by somebody else.” Asking if there might be a “more basic frame for addressing hunger,” she concludes that there is, and that “it starts with power.” (Lappé 2006: 39) Given the research showing power to shape the distribution of so many other resources, there is no reason to think that this will not apply to food as well. This is buttressed by Amartya Sen:

A person may be forced into starvation even where there is plenty of food around if he loses his ability to buy food in the market, through a loss of income (for example, due to unemployment or the collapse of the market for goods that he produces and sells to earn a living). On the other side, even when food supply falls sharply in a country or a region, everyone can be saved from starvation by a better sharing of the available food...The focus has to be on the economic power and substantive freedom of individuals and families to buy enough food, and not just on the quantum of food in the country in question. (Sen 1999: 161)

While democracy does not, by itself, indicate left power, in the Latin American context it tends to be a necessary precondition for left power. Since non-democratic governments in Latin America have overwhelmingly been of the right, democratic government opens up the possibility for the poor to obtain power and influence. Democratic norms of freedom of assembly and speech allow for organization of opposition parties, trade unions, and other workers’ groups, and free elections allow them to take power if they are effective enough in their organization. Sen argues for a relationship between democracy and the lack of famines,² capturing the relationship

²While famines are different than chronic hunger, there is much overlap in Sen’s analysis of the two: “Even in analyzing endemic undernourishment and persistent, long-run deprivation later on in this study...I shall draw on some of the concepts that the study of

between democracy and economic rights: “Political and civil rights give people the opportunity to draw attention forcefully to general needs, and to demand appropriate public action.” (Sen 1999: 150-151)

George Kent takes a rights based approach to hunger, placing the right to food in the larger tradition of universal human rights and the international human rights system. While he and Lappé might disagree about the merits and shortcomings of the human rights paradigm, Kent argues that democracy is essential for the realization of this right and gives a similar explanation to Lappé and Sen, arguing that people “must be free to participate in shaping the conditions in which they live” and for this reason “democracy is required for the realization of the human right to adequate food”³ (Kent 2005: 47).

Looking at left power in government indicates the degree to which this organizing is successful in establishing government policy aimed at helping the poor, in other words some kind of welfare state. The focus is on how much left government there is over a long period of time (Huber and Stephens 2001: 20), because a social welfare regime is the product of a decades-long political process and generally not something that may be quickly established. The expectation is that having had the left in power for a greater portion of the postwar period will result in more generous welfare programs, including anti-hunger programs.

famines will yield...” Sen, Amartya Kumar. 1999. *Development as freedom*. New York: Knopf.

³ Kent addresses the question of whether authoritarian regimes can meet the right to food on p.46. He draws a distinction between the need for food and the right to food, and reasons that while such a regime can feed people and meet their need for food, it cannot meet their right to food because “if people have no chance to influence what and how they are being fed...their right to adequate food is not being met, even if they get all the nutrients their bodies need.” So again it comes down to having the power to shape the conditions in which one lives.

Union strength is a separate measure of working class power that often overlaps with the strength of left parties, but unions also exercise power outside of electoral politics through strikes and negotiations. Strikes in response to unpopular policies are common in Latin America. Unionized workers represent a different strata of society in Latin America than in Europe. In Latin America unionized workers are almost entirely formal sector and the informal sector is much larger, and unionized workers tend to be middle class rather than poor. They often include a great number of public service employees.

Since these unions represent their members and their members are better off anti-hunger policies will not be one of their central concerns. Still, they may support them for ideological reasons. Also, anti-hunger programs may create new public sector jobs that represent potential new members for public sector unions and may be supported for this reason. In addition, some of these unions are rural campesino organizations that might have particular demands related to hunger.

In sum, anti-hunger programs will be the product of democracy (the opportunity to organize to shape the conditions in which they live) and left power (the success of the poor and their allies at engaging in such organization. The next two sections outline this argument for Brazil and Venezuela, respectively.

3. Brazil

Power resources theory places particular emphasis on the strength of working class parties whose success depends on the degree of democracy, the nature of the party system, and the strength of the labor movement. In Brazil it is important to understand the ability of the military, both its power (until recently) to veto policies and its changing position toward progressive policies. When Getúlio Vargas ran for the Presidency in 1950, he needed to check with the military to make sure he could safely run and that it would allow him to take office if he won (Skidmore 1999: 132). This is part of a long tradition of military involvement in politics. Even during periods of civilian government the military was a veto actor and had a large say in setting the limits of democratic government, and on redistributive policies. Changes in the economy are also highly relevant, as a major determinant of poverty (and therefore hunger) and because of the role of the economy in strengthening or weakening a regime.

There has been electoral support for working class parties since at least 1945 in which the Communist party candidate won 10 percent of the vote, which was “in good part explained by strong worker discontent over the rapid inflation created by World War II.” (Skidmore 1999: 128). As the World War II coalition disintegrated and the Cold War began, in 1947 Brazil’s Supreme Electoral Court banned the Communist Party. Congress expelled all fourteen Communist deputies and its one senator in January 1948 (Skidmore 1999: 130). Thus, the left enjoyed enough electoral success at mid-century to frighten elites and elicit repression.

Though Vargas (1930-45, 1950-54) left power over half a century ago, his legacy endures. The historical weakness of political parties is due in part due to a long tradition

of personalist politics, which Vargas strengthened. “Indeed, two of the three major parties of the post-1945 period were founded by the outgoing dictator, Getulio Vargas, who wanted to preserve his influence under democracy.” (Weyland 1996: 57-58). One of these parties was the *Partido Trabalhista Brasileiro* (PTB), an explicitly labor-based party, that modeled itself after the British Labour Party (Skidmore and Smith 2005: 136).

Vargas’s strategy was to co-opt workers movements and to repress those who could not be co-opted (Cockcroft 1996: 637). He followed a corporatist model, creating unions with strong links to the state and very little independence (Skidmore 1999: 116-117). For the purpose of this study the important thing about Vargas is the enduring worker identity, or *trabalhismo*, in Brazilian society (Hunter 1997: 73) and the tradition of the state as a potential vehicle for social and political reforms such as legalized trade unions and strikes, building schools, the eight hour work day, voting rights for literate Brazilians at age eighteen (including working women) and “a career civil service based on merit” (Cockcroft 1996: 636-637). The 1943 labor code regulated industrial relations. The labor ministry had a great deal of power over internal union elections and dues collection, meaning that “unions were in effect tied to the government.” The code stayed in effect until the 1990s, both defending the existence of unions and severely limiting their independence (Skidmore and Smith 2005: 162).

The 1964 military coup in Brazil marks the start of a period of military government in most of Latin America. The ideology of the military regime was one of state-directed capitalism, with a laser-like focus on macroeconomic growth. Breaking unions was a key part of the military government’s strategy, as it helped keep wages down and labor docile (Skidmore and Smith 2005: 173).

During this period the military government set up two official parties, the official pro-government party, ARENA, and the official opposition party, MDB (Skidmore 1999: 159). This was part of the military government's quest to appear legitimate and to put a façade of electoral democracy on top of the reality of military dictatorship. However, the opposition used the MDB as cover to safely organize, and by the 1974 and 1978 elections "was emerging as a genuine opposition party, even electing representatives of the independent trade-union movement and of a burgeoning women's rights movement to Congress." (Cockcroft 1996: 649)

The regime's focus was on Brazil becoming a modern nation, which required major large-scale production in both industry and agriculture.

Federal policy also favored export agriculture, rather than production of domestic food-stuffs. Nonetheless, the latter increased sufficiently to prevent food prices from endangering the boom. All of this had a cost: increased income differentials among regions and classes (Skidmore 1999: 179-180).

These policies had severe consequences for those at the bottom of society:

According to the Brazilian Institute of Economics and U.S. Department of Agriculture, hunger spread from one-third to two-thirds of Brazil's population. Landowners and animals fattened while people grew thinner. In order to produce for export to foreign markets, farmers stopped planting traditional food crops like black beans, manioc, and potatoes...Black beans, the protein-laden staple of the Brazilian diet, became so scarce that in 1976, during municipal elections, Rio de Janeiro voters cast 200,000 write-in ballots for "Black Beans." With the world's fourth largest cattle herd, most Brazilians could not afford to eat meat. (Cockcroft 1996: 646)

Critics commonly point out the dramatic increase in inequality during the military regime when the top ten percent of wage earners went from receiving 40% of all income in 1960 to over 50% in 1980, but at the same time living standards improved measurably.

Literacy rates and access to indoor plumbing improved while infant mortality fell from 160 to 85 per 1,000 between 1960 and 1988. (Skidmore 1999: 183) Impressive as these

figures may seem, one must put them in the context occurring in a period when living standards were improving in most of the developing world. For example, Brazil's eleven year gain in life expectancy was below the developing world average of seventeen years (Skidmore 1999: 202).⁴

Democratization grew out of an interplay between civil society and the soft line within military government, particularly President Geisel. Alfred Stepan writes, "In no sense was there sufficient external pressure on the military either from civil society or political society to force an abertura [opening]." (Stepan 1988: 32) Rather Geisel used civil society to weaken the hard liners. By allowing it space and increasing its power he was able to have a check on extremist elements in the intelligence apparatus who otherwise would have likely removed him and replaced him with one of their own (Stepan 1988: 39).

But years of repression had seriously weakened the "traditional left"—that is the old communist and socialist parties (Skidmore 1999: 211-212). However, the *Partido dos Trabalhadores* (PT) emerged as a major party, gaining strength through the 1980's. It accomplished this through sustained community organizing, particularly strikes in the demonstrations to pressure the military regime to hold direct elections and strikes in the late 1970's for better working conditions as well as elections. Though its name suggests a working-class party, the PT drew more heavily from middle class professionals, particularly public sector workers, and from liberation theology Catholic activists (Skidmore 1999: 213) Lula, a union leader and co-founder of the PT, was one of the most prominent leaders of the strikes.

⁴ The developing world average for reduction in infant mortality was 52%, virtually the same as Brazil's reduction of 48%.

Having its roots in the popular movement for direct elections engrained in the PT a commitment to democracy, both in terms of political system and internal democracy. “From the very beginning the Workers’ Party held the view that politics must be exercised in the open, in the public sphere, and within a democratic framework.” (Branford, Kucinski, and Wainwright 2003: 15)

In 1993 when Fernando Henrique Cardoso became finance minister to the Itamar Franco administration, “Brazil stood out as the only Latin American country that had failed to control inflation” (Skidmore 1999: 223). Cardoso’s Plan Real addressed this problem by refusing wage or price freezes, by balancing the budget, and by adopting a new currency (the last item was for psychological reasons—making people think in a new currency would lessen the self-perpetuating nature of the inflation).

The plan successfully decreased inflation, especially basic food prices which remained stable (Skidmore 1999: 225). The middle class suffered more from the plan than the working class. Inflation hurt the working class more because its members primarily used cash, where members of the middle class tended to have indexed checking accounts. Thus, fighting inflation had highly progressive implications for increasing the purchasing power of the poorest members of society, indirectly fighting poverty and hunger.

While it is true that inflation had become so ingrained in Brazilian society that it took some kind of shock treatment to break its hold over society, it is also clear that the technocrats who backed the Plano Real, particularly the team that came into power with finance minister Pedro Malan on 1 January 1995 at the beginning of the Cardoso government, used the prestige they had gained from the plan as a means of implementing a fully-fledged neo-liberal programme... (Branford, Kucinski, and Wainwright 2003: 77)

While the Cardoso administration tried to use the momentum from Plano Real to pass the additional neoliberal reforms, these reforms were less popular—in hindsight even most of the left agreed that the Plano Real was necessary because hyper-inflation hurt everyone, but they still opposed neoliberalism in general—and Cardoso met greater opposition from the public and in congress (Weyland 2002).

During the first years of the 21st century the PT “reinvented itself as a moderate left-wing party.” (Branford, Kucinski, and Wainwright 2003: 5) This allowed it to win a majority of the vote by appealing to more moderate voters who had previously voted against Lula.

Lula’s election in 2002 was “a mandate to completely change priorities in Brazil.”

The new concerns are to care for ordinary people, in particular the poor; to combat drug-trafficking; to restore national dignity; and to implement public policies for housing, health, public transport and education, sectors that during the neo-liberal era were either altogether neglected or subordinated to the priority of servicing the foreign and domestic debt and reducing the fiscal deficit (Branford, Kucinski, and Wainwright 2003: 12).

Lula’s anti-poverty programs are extensions of the programs of previous administrations, particularly the Cardoso administration (Vincent 2003). The focused approach to anti-poverty programs started in the early 1990’s when pressure from social movements led to the creation of the National Council of Food Security, or CONSEA, which was renamed the Comunidade Solidária (Solidarity Community Council) in 1995. At that point it gained a “new emphasis on partnerships with civil society.” The government introduced bolsa escola, which pays families to send their children to school, in the 1980’s (Andrews 2004). A 1998 evaluation concluded that these programs were successful in helping many poor communities, however

more effort needed to be put into fostering participation, training program managers at the local level, improving inter-coordination of the several programs and on devising ways to overcome the recurrent problem of the delays in the release of federal funds (Andrews 2004: 484).

A 1999 restructuring combined local programs into Comunidade Ativa (Active Community) In 2001 the government created bolsa-alimentação, a cash assistance program to pregnant women and families with young children. (Andrews 2004).

Shortly after taking office in 2003, Lula promised to make fighting hunger one of his top priorities. The program was named Fome Zero (Zero Hunger) and target at the 44 million people living under one U.S. dollar a day. His administration created a Ministry of Food security, but in early 2003 Lula “warned publicly that much of what he had promised on the campaign trail would have to wait because his government would be constrained by ‘the tightest budget of the past decade.’” The anti-hunger campaign was said to be the first priority for whatever funds could be found (“Lula scrabbles for anti-hunger funds: central bank autonomy might add to constraints” 2003). By July the PSDB (Cardoso’s party) was criticizing Zero Fome for having only reached 110,000 families and spending 40% of the programs funds on “publicity and other ancillary services” (“Time to pass the bill to Lula” 2003).

Less than a year after its creation the Ministry of Food Security was abolished in favor of the Ministry of Social Development and Combat on Hunger (Andrews 2004). Then in October 2003 the administration launched Bolsa Familia. The program, which had support from the World Bank, provides cash assistance of fifty real per month, plus fifteen real for each child in the family for families making less than fifty real per month. (“Brazil launches social programme aimed at helping 50 million poor” 2003). Families are required to send their children to school and participate in preventative medical

programs in exchange, hence the term conditional cash transfer. Bolsa Familia has been the most important part of Fome Zero, which “was in practice an umbrella programme for initiatives already developed under the FHC [Cardoso] administration.” (Hall 2006: 694)

Table 1: Social spending in Brazil (Reproduced from Hall 2006 p. 5).

	Total social budget		Social assistance budget		Bolsa Familia	
	R\$ (billions)	% GDP	R\$ (billions)	% direct social budget	R\$ (billions)	% direct social assistance budget
2001	160	13.3	8.5	5.3	1.5	18.0
2002	182	13.5	10.2	5.6	2.4	23.0
2003	213	13.7	12.9	6.0	3.4	26.0
2004	249	14.1	16.2	6.5	5.8	36.0
2005			17.0		6.5	38.0
2006			22.0		8.3	38.0

In 2004 there were reports that Lula’s government had abandoned its specific focus on hunger and that some were disappointed in these hunger programs. But Bolsa Familia was cited as a key reason for Lula’s continued popularity during the 2006 election, despite PT corruption scandals (Reel 2006). This is a clear example of the poor using their right to vote to ensure that these anti-hunger policies continued and further supports the thesis that they are a result of democracy and effective left organization.

As noted, these programs existed prior to Lula taking office. We saw that pressure from left social movements was instrumental in getting them enacted. The major change from the Cardoso to Lula administrations is in the level of funding. In 2004 the World Bank projected a total program cost for Bolsa Familia of \$US 6.2 billion from June 2004 through December 2008 (World Bank 2004). However, funding has exceeded that level.

In 2002 the social assistance budget was 8.5 billion real. In 2006 it had more than doubled to 22.0 billion real. Bolsa Familia increased from 2.4 billion real (18.0 percent of direct social assistance) in 2002 to 8.3 billion real (38 percent of direct social assistance) in 2006, making expenditures for that year alone equal to over half the World Bank's projection for the four and a half year period.⁵

⁵ In 2002 the exchange rate (monthly average) ranged from a low of .26 *real* to the U.S. dollar in October to a high of .43 in April. In 2006 it was much more stable, going from .44 in January to .47 in October. Given the variation in the rates for 2002, I do not feel comfortable providing figures in dollars. The relative weakness of the *real* in 2002 of course means that the increase would be even more dramatic in dollars (though purchasing power would be the ideal measure). A reader can get an approximate sense of 2006 spending levels by reducing them by a little more than half. *Exchange Rates* 2008 [cited January 10 2008]. Available from <http://www.x-rates.com/cgi-bin/hlookup.cgi>.

4. Venezuela

Many scholars of Venezuela have long believed in “Venezuelan Exceptionalism” –that Venezuela is different than the rest of Latin America and immune to many of the regional trends, most prominently military rule in South America in the 1960’s and 1970’s. Since power resources theory holds that democracy and left power are the essential elements for generous welfare programs, this longer history of democracy should be relevant in contrasting anti-hunger programs

As with Brazil, we begin with the postwar period, where Acción Democrática (AD) the left party of the two major parties dominated politics. It “viewed itself as a leftist-revolutionary, nationalist, populist, multi-class, anti-imperialist party that sought to carry out the program of social democracy.” (Tarver and Frederick 2005: 102) It took part in the 1945 coup that sought to expand democracy and AD leader Rómulo Betancourt headed the military-civilian junta that ruled from 1945-1948. During this time AD “especially promoted unionism,” since labor was an important part of its base and has previously been repressed. AD also established strong links with (some would say co-opted) the *campesino* movement (50% of the population was rural in 1945) (Tarver and Frederick 2005: 90-92). A national assembly wrote a new constitution in 1947 and elections were held later that year, dominated by AD. “The modern Venezuelan political party system was formed during the three years when Acción Democrática was in power.” This system, with AD dominating, required parties to negotiate accords (Tarver and Frederick 2005: 92-93).

The other major party, *Comité de Organización Política Electoral* (COPEI), was founded in 1946. It had Catholic roots and emerged “in response to the socialism and

Marxism displayed by the more important political groups in Venezuela after [military dictator Juan Vicente] Gómez's death..." (Tarver and Frederick 2005: 94) It would later alternate power with AD.

In 1948 a military coup overthrew recently elected AD President Rómulo Gallegos, placing Marcos Pérez Jiménez in power. This was largely due to a loss of military support for the AD government. This ushered in a decade of military rule with AD and later COPEI banned. The military dictatorship worked to roll back the policies AD had managed to implement in its three years in government, disbanding the Workers' Confederation of Venezuela (CTV) and jailing and torturing campesino leaders and providing "little in the way of expansion of human resources, health care, and education" (Tarver and Frederick 2005: 96).

Popular pressure ultimately brought down Pérez Jiménez, and AD won the 1958 presidential election:

The overthrow of Pérez Jiménez's dictatorship is significant. The Movimiento 23 de enero (23rd of January Movement) laid the foundations for a democratic regime that would eventually become one of Latin America's longest... The leaders agreed to make political consensus a top goal, to limit conflicts to a minimum, and to preserve the new democratic political regime at any cost (Tarver and Frederick 2005: 99).

The democratic history prior to the dictatorship helps explain its downfall. AD (whose roots go back to the 1930's) was able to survive being banned and win the first post-dictatorship election. This is particularly relevant given the findings or previous work on the role of long term history of democratic rule in shaping social policy (Pribble, Huber, and Stephens 2005).

The new president, Rómulo Betancourt, increased the role of the state in the economy and carried out agrarian reform. Though the campesino population had declined

to 30% of Venezuelans, it represented an important part of AD's base. Betancourt's approach was to see the oil revenues as temporary and to try to invest them in diversifying the economy (Tarver and Frederick 2005: 102-103). Taver and Frederick sum up the series of transitions as follows: "The country had moved from an oligarchic regime, through a social-democratic revolution, which lost out to a tyrannical dictatorship, and finally into a liberal democracy." (Tarver and Frederick 2005: 105) The period of democratic rule in the 1960's and 1970's set Venezuela apart from the almost continent-wide trend toward authoritarianism (Cockcroft 1996: 392).

The election of COPEI candidate Rafael Caldera to the presidency was an important moment in Venezuela because it was the first time power had peacefully alternated from one party to another. The two parties took turns ruling until their collapse in the early 1990's, discussed below. The AD government of Carlos Andrés Pérez nationalized oil in 1976. In 1980 oil represented 70% of government revenue and 26% of GDP (Tarver and Frederick 2005: 124-125). Much of this revenue was spent on government programs, including food subsidies. The government also implemented price controls (Tarver and Frederick 2005: 126).

The Carlos Andrés Pérez government reveals the particular opportunities and challenges presented by Venezuela's immense oil wealth, many of which have parallels in the current boom which enables the Chávez government to afford many of its programs.

Terry Karl points out three important themes:

...first, the absence of distinctive state interests or even of any centralized or impersonal apparatus of domination remotely resembling a modern state until very late; second, the manner in which the exploitation of petroleum expanded the state's jurisdiction, concentrated power in the executive, and undermined

bureaucratic authority; and, third, the eventual emergence of a consensus for intervention based on the distribution of oil rents to subsidize non-oil activities (Karl 1997: 72-73).

A strong bolívar caused by the oil boom “further encouraged imports and discouraged domestic activities.” This included the cultivation of food: “the higher import capacity for foodstuffs hurt the domestic market for other agricultural products [products other than coffee].” Agriculture had been in decline for several decades. By 1950 the agricultural sector was under ten percent of GDP, the smallest relative size in Latin America (Karl 1997: 81)

In the 1978 election, in which control alternated to COPEI, the vote share of AD and COPEI was almost 90%, reflecting the degree to which the two parties dominated (Tarver and Frederick 2005: 130). However, the public was becoming disaffected with the two-party system. Dick Parker writes that it was “a power-sharing arrangement between two multi-class parties that were increasingly difficult to differentiate ideologically, holding uniform positions on essential issue.” (Parker 2005: 39)

The drop in oil prices and the regional debt crisis severely impacted Venezuela, since the government had borrowed to further fund programs on the assumption that prices would remain high. Carlos Andrés Pérez returned to the presidency in 1988 and carried out his deeply unpopular Economic Adjustment Plan, drastically cutting public spending (Tarver and Frederick 2005: 140). In addition, there were revelations of corruption among the leading parties, causing further disillusionment. This, combined with el paquete (structural adjustment package), lead to social protests and street violence. “Politics had ceased to be a realm restricted to political parties and special interest groups” (Tarver and Frederick 2005: 141). There were two failed coup attempts

in 1992 (the first in which Hugo Chávez participated). Support for the two major parties evaporated in the 1992 gubernatorial and mayoral elections and Andrés Pérez was impeached for corruption (Tarver and Frederick 2005: 142-144).

Rafael Caldera returned to office in 1994, having promised to release Chávez from jail. Congress now had five significant parties instead of two, indicating continued erosion of support for AD and COPEI. A recent analysis by Jana Morgan shows that the “pivotal moment” for the collapse of AD and COPEI was 1998. By 2000 support for AD was under ten percent, COPEI under five percent, and the old left under five percent as well, and expert surveys showed little difference in the ideological placement of the two parties. Morgan concludes:

abandonment of the old system was prompted by left ideology, lack of incorporation into traditional parties, negative views of parties, dissatisfaction with the incumbent, and expectations of better performance by new parties (Morgan 2007: 94).

The economic crisis paved the way for Chávez who “promised to dissolve the national Congress and convene a constituent assembly to reorganize the country and its laws.” (Tarver and Frederick 2005: 148) The electoral coalition headed by Chávez is called the Movement of the Fifth Republic (MVR). Election results give an approximate measure of Chávez’s popularity. He received 56 percent of the vote in 1998, 60 percent in 2000 and 59 percent during the 2004 referendum, with 70 percent voter participation in the latter (Ramírez 2005b: 79).⁶ In December 2006 Chávez was re-elected with 63% of the vote. There was an election for the National Assembly in December 4, 2005 (MVR currently holds 114 of 167 seats) (Central Intelligence Agency 2006). A key reason for

⁶ Ramírez obtained these results from Venezuela’s Consejo Nacional Electoral and the Carter Center.

the increase in seat share is a boycott of the 2005 election by the major opposition parties, who alleged unfair electoral practices (BBC News 2005). In December 2007 MVR narrowly lost a referendum on constitutional changes (BBC News 2007).

The party system has changed dramatically in the post-war period, from broad consensual politics, to a system dominated by two parties, to dominance by MVR. Obviously the current situation, with a strong MVR majority in the National Assembly and Chávez as President favors the implementation of their policy preferences without substantial modification.

The labor movement is bitterly divided over Chávez. The CTV remains closely allied with AD (Ramirez 2005b: 88) and opposes Chávez. This is probably why, overall, union members are more likely to support one of the old political parties (Morgan 2007). In the 1990's it became more pro-neoliberal and "gave up on the marginalised sectors once championed by its leaders." (McCaughan 2004: 146-147) New confederations more supportive of the MVR have been formed, including the Bolivarian Workers' Force (FBT) and the National Workers' Union (UNT) (Ramirez 2005b: 88). As explained in the framework section above, union strength is not as good measure of working class power in Latin America as in Europe. Rather than just look at organized labor it would be more useful to see the role played by social movements more generally. Cristóbal Valencia Ramírez describes contemporary social movements in Venezuela: "many Chavistas are organized, politically experienced, and relatively autonomous components of a complex counterhegemonic social movement that shares a political overview and is allied with the state." (Ramirez 2005b: 96)

Venezuela stands out in Latin America for being a net-importer of food (Giacalone n.d.). Given its natural endowments, this seems odd, since it certainly has the capacity to grow more of its own food. This is partially due to the impact the oil economy has historically had on exchange rates which often make imports cheaper compared to domestic production (Karl 1997).

Misión Mercal is the mission focusing on affordable, locally produced food. The inspiration for it came after economic sabotage by the opposition during the oil strikes in 2002 revealed how dependent Venezuela was on food imports (Wagner 2005). A recent report describes its purpose:

MERCAL's challenge is to keep anyone from going without food, but also to develop an alternative network of distribution of goods that links and brings together the producer and the consumer, and permits competition in prices and quality with the traditional channels of commercialization." (Ramirez 2005a: 14) [my translation]

In 2005 the program operated 441 stores, 218 mini-stores, 229 mobile bodegas and 100 collection centers. As of April 2005 it had served almost 3 million Venezuelans. The goal is to reach 8 million (Ramirez 2005a: 14) (out of 25.7 million). The government claims products available from *Mercal* meet 60% of the calories, 70 % of the protein, and 47% of the fat needed for a basic diet. Again, the focus is on getting these products from local markets (Ramirez 2005a: 15). Prices are discounted from 25 to 50 percent from what one would pay at a grocery store.. The program expanded rapidly from 1,603 locations in 2003 to 13,493 in 2004, slowly growing to 15,743 in 2007 (SISOV 2007).

A recent study by the National Statistics Institute (INE) reveals satisfaction with the program. It was based on a sample of 200 interviewees, all from the Capital District.

The table from their report is repeated, translated, here (Instituto Nacional de Estadística 2005):

Table 2: Survey of Satisfaction with *Mercal*.

Indicator	Satisfied or Very Satisfied
Quality of products	89%
Quantity of products	74
Variety of products	67
Price of products	96.5
Quality of facilities	85-96 ⁷
Attention to the public	88.5
Access to facilities	83
Finding products	74
Ease at checkout	59
Location of facility	93

So, the only question to not receive at least two thirds of respondents reporting satisfaction with the program is the ease of checkout.

While there are many important contrasts to Brazil—to which we turn in the next section—the emergence of MERCAL is also in accord with power resource theory. Democracy allowed Venezuelans to vote out the established parties in favor of a candidate (Chávez) and electoral coalition (MVR) promising to address the problems of poverty. Their provision of subsidized food has been popular and contributed to their continued electoral success.

Social spending rose from 8.4 percent of GDP in 1998 to 11.3 percent in 2001, with education increasing from 3.2 percent to 4.2 percent and social security from 1.6 to 3.1 percent over the same years (Parker 2005). The missions alone are 3.5 percent of GDP (Corrales and Penfold 2007). In 2000 bolívares social spending rose from 5.9 trillion in 1998 to 18.4 trillion in 2006 (ONAPRE 2008), or approximately 8.3 billion to

⁷ Document gave no explanation for range.

26 billion U.S. dollars. In 2005 the government had promised \$US 24 million a month to maintain prices at 2004 levels (Wagner 2005). The only year for which I have been able to find any data on money directly budgeted for Mercal is 2003, where a government document lists a budget of 135 billion bolivares for Mercal infrastructure (BDPROS 2004), which comes to approximately 81 million U.S. dollars.⁸

⁸ Exchange rates are once gain from x-rates.com. In 2000 the *bolivar* ranged from .0014 to .0015 to the U.S. dollar (monthly averages). In 2003 the rate rounded off to .0006 for all twelve months.

5. Comparing the programs

While Bolsa Familia and Mercal both came about due to democracy and left power, they take very different approaches to addressing hunger. Bolsa Familia is targeted at the poorest Brazilians. The means testing is in accordance with the liberal model of the welfare state (Esping-Andersen 1990), most likely one reason it is so popular with international financial institutions. The interference with the market is minimal—redistributing enough money to lift people out of extreme poverty, and it also requires less government revenue.

In contrast, Mercal addresses the problem of hunger from the supply side, by trying to make food cheaper. The program is universalistic, at least in the sense that anyone is allowed to buy the reduced price food. It does not simply seek to address hunger, but also to establish a different model of economic development from traditional capitalism.

Brazil and Venezuela demonstrate that there are at least two ways to attempt to address hunger. In this section I speculate as to why each country took the approach it did. First I look at some common explanations for differences in social policy and explain why I do not believe they hold much explanatory power for the differences in these particular policies. Then I turn to Brazil and Venezuela individually and ask why each made the choice it did between the transfer and subsidy approaches.

Veto Points

The number of veto points in a government shapes the growth and retrenchment of welfare state policies. A veto point is a place in a system of government where

someone has the ability to stop a policy. More veto points makes it harder both to implement new policies and to roll them back. Thus a country with few veto points will be subject to more extreme policy swings, where more veto points will lead to more moderate, consensual politics. For anti-hunger policy the expectation is that more veto points will make it less likely that a progressive government will be able to implement bold initiatives but also make it less likely that a later government will be able to repeal popular programs.

A party system is required for left power to be effectively translated into policy outcomes, but party systems can act as an additional veto point. Evelyne Huber writes:

the structure of the party system is an important determinant of concentration or dispersion of political power. When parties are factionalized or there are several parties competing for power, as in Uruguay and Brazil, it becomes difficult to form solid reform coalitions. In contrast, where parties are disciplined and one party or a small coalition manages to win a majority in the legislature, it is easier for the executive to obtain support for sweeping reforms (Huber 2005: 96).

Thus, we should expect less generous anti-hunger policies when there is a more fragmented party system. At first it seems this would be a very strong explanation for differences between the policies, given that MVR has a strong majority in the Venezuelan assembly (Central Intelligence Agency 2006) and Brazil is notorious for a fragmented party system. Indeed this most likely highly relevant for many policy differences, but much less so for hunger for the simple reason that Fome Zero is a program of the executive and thus much less subject to the assembly veto point. So, in addition to democracy and left power, executive dominance is an important common explanation for the passage of anti-hunger programs in both countries. However, if Lula were to try to allocate the kind of resources needed for Mercal he would have to have legislative

support and this veto point would become relevant. I show below how other factors render this a moot point—lack of resources and the need to comply with the wishes of international financial institutions mean that the Lula administration is unable to even consider the kind of resource allocation seen in Venezuela.

Union Density

The original formulation of power resources theory focused more narrowly on working class power, where application to Latin America requires a broadening of scope to look at left power in government as a measure of the ability of the poor to have power in society.⁹ Still, as stated in the framework section, union density measures the organization of some excluded members of society and it is worth comparing levels of unionization between Brazil and Venezuela. Brazil's union density (membership as a percentage of non-agricultural labor force) was 32 percent in 1991, where Venezuela's was 26 percent in 1988 and 14 percent in 1995 (Rodrik 2001). As with all data on union density in Latin America, these figures are far from exact, but the margin of error presumably is such that it does not undermine the central conclusion that Brazil has a more unionized work force than Venezuela.

In addition, the relationship between unions in each country to the current governments is fundamentally different. In Brazil the unionized workers are a key part of the base of the PT. In Venezuela union members more likely to support old parties (Morgan p. 93). Still the situation is more complex than all unions being AD supporters,

⁹ Liberation theology also tends to focus on the poor instead of the traditional Marxist emphasis on the working class as well. See Boff, Leonardo, and Clodovis Boff. 1987. *Introducing Liberation Theology*. Translated by P. Burns. Maryknoll, N.Y.: Orbis.

and there is a new more pro-MVR labor movement (Ellner 2005). As with veto points, while this difference is almost certainly very relevant to many kinds of social policy there is little reason to believe it to be a key explanation for differences in anti-hunger policy. Strong unions could be in favor of either approach, and there is no strong theoretical reason to expect them to prefer one over the other. In my research I have encountered no mention of unions trying to shape anti-hunger policy, leading me to conclude that any direct influence they have on its formation is of at best secondary importance.

Clientelism, corruption and populism

Clientelism, corruption and populism often shape the nature of welfare policies I will argue that they also are not key to explaining the choice between transfers and subsidies. Corruption is notoriously difficult to study since it is, by nature, clandestine activity. There are anecdotal reports of clientelism and corruption in both programs. In Brazil “strong evidence was found of political manipulation in programme implementation in at least ten percent of municipalities sampled.” The clientelism was lessened when communities formed ‘social councils,’ to oversee the transparent implementation. Such councils are required by the federal government, but do not yet exist in all communities (Hall 2006).

Following mentions of MERCAL in online Venezuelan newspapers over the past year, I have encountered reports of large scale food theft since at least October 2007 (“Red Mercal también sufre de desabastecimiento” 2007), most recently 2000 kg of pork shoulder (Sequera 2007). While MERCAL is universal in the sense that anyone can shop there, some allege that it has “been influenced by demographic considerations and the

political criteria of whether the governor or mayor is pro-government. In these missions [Barrio Adentro and Mercal], poverty variables had no influence in explaining the distribution of resources at the state and municipal levels” (Corrales and Penfold 2007). In May there were reports of people reselling the food abroad (Radio Nacional de Venezuela 2007).

Simply put, these I do not have access to the information required to assess the relative levels of corruption and clientelism in the two programs. Either approach could theoretically be corrupt or clientelistic in its application and it seems doubtful that a motive toward graft or political payout would be one of the best explanations for the basic choice of policy type, since both food and money can be steered toward supporters. So, while one country may experience more corruption and clientelism, we cannot know if this would have been any different under the other style of program. That said, it does seem that the MERCAL approach might lend itself to more clientelism. With cash transfers there are objective qualifying conditions and a standard scale for how much a family receives. This makes it harder to steer money toward friends. With MERCAL one can be more subtle, building a few more stores and providing more food for supporters.

Populism does not feature as a key explanatory variable in this analysis because both food subsidies and conditional cash transfers can be consistent with populist politics, at least populism defined narrowly in terms of unmediated appeal from a leader to the base. Again, there is little reason to think that this style of politics lends itself toward one or the other approach, since a populist leader can just as soon provide money as subsidized food. Rejecting populism as a key explanation may strike the reader as odd, given the initial framing of this project as comparing the populist and non-populist left.

This is if we narrowly define populism in terms of the direct leader-base connections. Populism can also be defined in a way that includes commitment to certain kinds of policies that financially reward the base (Weyland 2001).

Key Differences

Brazil and Venezuela demonstrate that there are at least two ways to attempt to address hunger: food subsidies and conditional cash transfers. Why did each country take the approach it did? One way to think of this question is to ask why Brazil implemented conditional transfers and Venezuela adopted subsidized local markets, instead of the other way around.

Why did Brazil not adopt a program similar to MERCAL?

This is the easier of the two to answer. The most plausible explanations are limited resources, influence from international financial institutions, and ideology. When Lula came to power he had to be very concerned with scaring financial markets and causing capital flight (BBC News 2002), which would of course have had detrimental effects on the economy, hurting the poor and leaving his government with few resources for social programs. As discussed in the section on Brazil, Fome Zero was the priority for what little funds they could find. The limited resources meant that a plan like MERCAL would not have been feasible.

Nor would a MERCAL style plan have been politically expedient. It would have reminded investors of the policies of previous populist governments in Latin America. It also would have most likely violated conditions of international loans, given IMF promotion of the neoliberal model. Conditional cash transfers, on the other hand, had

recently become very popular with the international financial institutions. They tend to like targeting because it is relatively inexpensive and interferes minimal with the market.

There is disagreement among scholars about to what degree capital mobility limits options for domestic policy. The “globalization hypothesis” holds that movement of capital¹⁰ will severely limit policy options for governments. The “race to the bottom” (RTB) means that governments must compete for firms to locate in their country and capital. Governments will implement policies that meet with the approval of the global market. Teeple (2000) argues that capital has no national allegiance and its interests go beyond individual nations. It wants to be free to move and free from regulation. If capital is free to move economic theory says it will go where it yields the highest rate of return. This means that will avoid countries with high levels of taxation and costly regulations.

While all of this sounds convincing on a theoretical level, empirical evidence casts some doubt on the extent to which convergence actually takes place. Rodrik (1998) finds that open economies have higher social spending. This may be to compensate from the risks of exposure. However, a more recent study (Rudra 2002) finds divergent paths between OECD countries and less developed countries. She argues that in countries with a large number of low-skilled workers this undermines the ability of labor to organize and take advantage of opportunities for gain. A recent study looking just at developing countries (Wibbels 2006) found that openness was associated with lower state spending. He argues this is due to “distinct patterns” in how countries are integrated into the global economy. Poor countries are more susceptible to shocks, and integration means they will be subject to more shocks.

¹⁰ The “globalization hypothesis” often addresses trade openness as well, but my argument focuses on the fear of capital flight, and thus trade is irrelevant.

Mosley (2005) argues that the state still has “room to move,” though she qualifies this by saying that OECD countries have more room. She is skeptical of the RTB argument, arguing that domestic politics still matter and “specialisation is possible within globalisation” (356) Places where policy has been limited include needing to maintain lower inflation and less debt.

Brazil is a clear example of this. After his election in 2002 Lula knew Brazil could not afford massive capital flight and his election had investors worried:

There was fear that the new government would be tempted to default on part of the debt, that the foreign investor friendliness of the previous government would not be maintained, that there might be a reversal to the privatization programme which had prevailed throughout the 1990s and that the fiscal responsibility established under President Fernando Henrique Cardoso would not be sustained (Amann and Baer 2006: 221).

He needed to signal to investors that he would not deviate from macroeconomic orthodoxy. Thus he appointed retired investment banker Henrique de Campos Meirelles as central bank president and exceeded the IMF’s goals for a fiscal surplus. Given the punishment that the international economy could hand out were he to try to radically restructure the economy, Lula and the Workers Party (PT) have had to take a reformist approach and Lula’s “initial goal was to proceed in a cautious way, by first establishing a reputation for economic prudence, thus laying the foundations upon which more radical structural reforms could be carried out” (Amann and Baer 2006: 220). Amann and Baer argue that Lula faces a paradox. As we have seen, he must maintain orthodox policies limiting spending and inflation, otherwise capital flight will cause a disaster. This means that “attempts to redistribute under these terms will probably be far more challenging since they are more likely to involve some groups in society losing out in absolute terms” (Amann and Baer 2006). They contend that the Lula administration has not been

successful on this front. Still, having social democratic reformists instead of neoliberals makes for a big difference in the lives of many ordinary people, as outlined above.

In early 2003 the Brazilian journal *Saúde e Sociedade* devoted an issue to the topic of Fome Zero. There is much discussion in the articles of the need to address root causes of hunger, especially inequality. A Brazilian scholar writes:

specific actions to fight hunger, particularly actions of food distribution—directly through cash credits or food coupons—should be employed in Brazil in a limited way and only under exceptional and justifiable conditions. The uncontrolled expansion of food distribution actions in Brazil is perhaps contrary to the common sense and the justified indignation toward a highly unjust society would imply allocating resources that could be better used in more efficient and justifiable social policies.¹¹ (Monteiro 2003)

This recalls a comment from George Kent that “You do not solve the hunger problem by feeding people” (Kent 2005: 23). So even though Fome Zero contains a food stamp component (*Bolsa Alimentação*), the larger project is redistributing a small amount of income to Brazil’s poorest.

Ideologically this is a reformist project. It seeks a more humane form of capitalism, not a complete alternative economic system. It allows market forces to set the prices of food and addresses hunger by giving the poor more money to obtain food on that market. In terms of empowering the poor money is certainly a form of power and gives them the power to meet more of their basic needs, but does so on a more individualist level. This contrasts markedly with Chávez’s calls for socialism and the model of endogenous growth.

Why did Venezuela not adopt a program similar to Fome Zero?

¹¹ I made a few minor corrections to the English translation of the abstract provided in the article.

The first reason is very simple. A massive influx of oil revenue has allowed the increase in social spending outlined above. Being able to pay off its debt to international financial institutions means that Venezuela did not have to worry about violating their preference against subsidies. The revenue also allows for more ambitious projects than in Brazil. So, where Brazil really had no other choice, Venezuela had the choice of either approach—it could have implemented a generous cash transfer program instead. Thus the fact that it could is not enough to explain why it did.

To explain this choice we must turn to ideology. MVR says it is engaged in a Bolivarian Revolution. The ideology is an interesting mix of traditional populism and new participatory ideologies. Venezuelans have formed local community groups called Bolivarian circles and the number of cooperatives has increased greatly. The movement is based on voluntary work from the population--Chávez has said that MERCAL cannot succeed without it (Wagner 2005).

MVR is trying to establish an alternative to capitalism, which they call the endogenous model. It is based on the local participation and cooperatives mentioned above. Much of the rhetoric is about food sovereignty and supporting local agriculture. MERCAL has steadily increased the amount of food purchased locally, which has the goal of decreasing dependence on food imports from abroad and strengthening a local economy, hopefully one based on different values than the global economy. Creating an alternative economy based on local not-for-profit stores is in accordance with Chávez's brand of socialist ideology, expressing the preference for cooperation instead of market competition. There is also the hope that this will have a multiplier effect in stimulating other parts of a small scale, local economy.

6. Conclusion

This project has been a parallel demonstration of two cases where the central prediction of power resources theory—that democracy and left power lead to more generous social programs—hold for anti-hunger policy in Brazil and Venezuela. The dominance of the executive branch in each country eased the process by which the left was able to achieve its policy preferences. While clientelism, corruption and populism are often important to explain social policies, they are not key variables in this case. The difference in approaches between the two countries is best explained by (1) Venezuela having the resources and independence to even consider food subsidies, where Brazil did not and (2) ideological differences between the left project in each country, with Lula a reformist and Chávez claiming to be a revolutionary.

My generic recommendation for which approach a developing country should follow to addressing hunger would be to borrow from both programs. The basic model of Fome Zero appears sound. By boosting the income of the poorest it allows them to buy food. The conditions attached to the transfers improve the health and education of the next generation, hopefully allowing them a better chance to escape poverty. Of course corruption, politicization, and inefficiency can be problems, but this would be true of any welfare program.

I believe there is merit to Venezuela's goal of trying to promote local agriculture and increase the number of locations where poor people can buy quality groceries. It is a matter of what the state should do to support these local markets, including the open air farmers' markets. Helping with startup costs and infrastructure and hiring staff to help

communities organize them seems sound. The problem is with the direct subsidies to lower food prices. This is what led to people re-selling food abroad and is likely a cause of the shortages recently experienced. If this money was given to the poor in the form of transfers they could use that money to buy the food at the higher prices.

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