Economic Development
Like Boxing with Joe Louis:  
Nelson Rockefeller in Venezuela, 1945–1948

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The congressional debate was impassioned. At issue was the role of a North American capitalist in a Latin American nation whose economy was woefully dependent on a single product. In revulsion, delegates hurled epithets at the Yankee. He was a “Drácula,” a “venerable gangster,” an “imperialist at our doors.” Furthermore, this capitalist was the grandson of an infamous robber baron. As one delegate warned, “The heirs of this international filibusterer are those who come into Venezuela to save us from ruin, they are men in whom the [government] has placed the exploitation of agriculture, of livestock, of fish, and that which is most grave, the distribution and importation of food.” Members of the ruling party responded by insisting that they would vigilantly protect the national interest. Many delegates remained unconvinced. “A man can be very brave, but if he confronts a tiger, the tiger will scratch him,” warned one delegate. A leading Communist representative, Juan Bautista Fuenmayor, suggested another vivid metaphor: Venezuela tangling with Nelson Rockefeller was “like boxing with Joe Louis.”

This abbreviated account of a Venezuelan event in 1948 highlights common stereotypes of U.S.–Latin American relations. U.S. private interests endangered Latin American nations’ economic sovereignty, Latin American governments refused to recognize the threat, and the defense of the national interest against U.S. imperial domination was led by indigenous communists or others on the left. There is truth in this portrait, but it is also a source of much confusion. Since the advent of Roosevelt’s Good Neighbor policy in the 1930s and World War II, the United States had encouraged private interests to acknowledge the sovereignty of Latin American governments over
their natural resources. As James Park has shown, the 1930s Depression momentarily checked U.S. confidence about the nation's ability to shape poor "backward" nations in its image, leading to efforts at cooperation rather than confrontation or manipulation. Indeed, some in the United States acknowledged the legitimacy of Latin American complaints of exploitation and supported attempts to industrialize and diversify national economies. During World War II, the United States led Latin American governments to believe that cooperation in the wartime alliance would bring economic rewards after the war in the form of loans and technical assistance for that purpose. In the immediate aftermath of the war, however, Washington again left individuals and corporations to shape the relationship between the United States and Latin America. These private groups pursued their ambiguous mixture of self-interest and altruistic goals much as they had for decades. Nevertheless, there were differences. While Allied victory restored U.S. optimism in nation building, some Americans demonstrated a greater sensitivity to nationalist aspirations in what would soon be called the "Third World." Private U.S. interests and State Department and embassy officials in the 1940s, well aware of increasing "economic nationalism," formulated views on its meaning to U.S. interests and often responded by making concessions in order to maintain some influence. For some, certain expressions of economic nationalism were a justified response to past exploitation by U.S. interests and governments.

Scholars, on the other hand, have often identified economic nationalism in the Third World as a "force" that U.S. leaders "misunderstood," mistaking it for communism or socialism. This portrayal implies that nationalism is a monolithic phenomenon across the developing world, that it arose from the left wing of the political spectrum alone, and that it took much the same form in varying regions and nations. It also suggests that Americans were consistently shortsighted in confronting nationalism. This vagueness in identifying the sources of nationalism obscures understanding of exactly what was "misunderstood" as well as the variety of U.S. responses. Important questions to ask include: Were there distinctive sources of economic nationalism? How did North Americans respond to competing expressions of economic nationalism, and what other options might they have had? How do national cases compare? Examination of domestic politics of Third World nations reveals differences of opinion within their societies about the best means to develop their economies and societies. Debate within developing countries on relations with the United States and the world economy often took place in the context of internal struggles for power. Historians such as Kyle Longley have paid close attention to domestic politics, ob-
serving more closely the sources and complexity of economic nationalism and the varied U.S. responses to nationalist expressions. Such works complicate the image of the United States as consistently misunderstanding Third World nationalism.4

Unfortunately, there is little scholarly focus on the immediate post–World War II era. There are important studies of the Eisenhower administration’s role in toppling the Jacobo Arbenz government in 1954 (and the role of private interests in that case), that same administration’s support of dictators, and U.S. hostility to the communist turn of Castro’s Cuban revolution.5 One reason for the interest in the Eisenhower administration is the clear impact of the Cold War on relations with Latin America during the 1950s. Additionally, the emphasis of diplomatic historians on government policy not surprisingly leaves them relatively uninterested in an era in which U.S. government attention to the region decreased dramatically after the high points of Roosevelt’s administration, with its Good Neighbor policy, and World War II, with its imperatives of managing hemispheric solidarity. The gap in the literature is unfortunate, for at least two reasons. The leap to the 1950s neglects continuities in U.S. policies and in domestic Latin American politics from the 1930s to the 1960s and beyond. Moreover, historians of foreign relations have bypassed a significant moment in Latin American history. Leslie Bethel and Ian Roxborough have called the critical immediate postwar period an important “conjuncture” in the region. Their work describes a wave of democratic-leftist movements that swept into power in 1944–45, creating a window of opportunity for social democracy on the continent.6 The implication is that for social democracy to endure, U.S. officials needed to respond to rising aspirations for national economic development. Instead, the United States repeatedly delayed a hemispheric economic conference and insisted that Latin Americans rely on private investment to develop their economies. The United States did little to prevent the turn to dictatorship in the late 1940s.7 A further implication is that the United States could and should have prevented this shift.

This chapter examines this important era through one case study: the postwar activities of Nelson Rockefeller in Venezuela. Rockefeller’s awareness of Latin American aspirations for national economic development dated from personal experience in the 1930s and World War II. Shortly after the war, he embarked on projects designed to promote economic development in the region. He focused on two nations of vital importance to the United States: Brazil, with its strategic location and tremendous size, and Venezuela, with its vast reserves of oil.8 This essay details Rockefeller’s relationship with Venezuela’s postwar government, headed by the nationalist and democratic
leftist party Acción Democática (AD) during the trienio (1945–48). The AD-led government is a classic case supporting Bethel and Roxborough's "con-juncture" thesis. This essay argues that Rockefeller and AD leaders shared a vision for the national economic development of Venezuela. Although important differences between them existed, they believed in technical solutions to human problems and a pragmatic approach to questions of political economy. Their vision for Venezuela's future as a liberal democracy with a modern, diversified economy necessitated a nonexploitative, reformed capitalism. Furthermore, despite, and because of, Venezuelan government support for his projects, Rockefeller faced intense pressure from other forms of economic nationalism that differed from the views of AD leaders. This pressure affected Rockefeller's projects, contributing to their partial failure. Although U.S. policy regarding economic development in Latin America required that Latin Americans look to private investment, U.S. officials, preoccupied with their expanding commitments in Europe and Asia, only halfheartedly encouraged innovative approaches to private development efforts.

The rise of economic nationalism in Venezuela dates from 1928, when student protests erupted against dictator Juan Vicente Gómez (1908–1935). Disturbed by Gómez's unscrupulous dealings with the foreign-owned oil companies that flocked to Venezuela in the 1920s, many young Venezuelans who would come of age politically in the postwar era critiqued Venezuela's dependence on foreign interests. As time went on they were particularly disturbed by the economic distortions caused by Venezuela's "monoculture," in this case reliance on petroleum revenues. After Gómez's death in 1935, governments and government opponents alike decried the decline of agriculture, including the traditionally strong livestock, coffee, and cacao sectors, and the movement of agricultural laborers from fields to oil camps and nearby shanty towns. The rallying cry of economic nationalists was "sembrar el petróleo" or "sow the oil." Venezuela needed to rebuild and protect the agricultural sector by harnessing oil company profits.

It was in this environment that Nelson Rockefeller first came to Venezuela in 1937 as a director of Creole Petroleum, the Venezuelan subsidiary of Standard Oil of New Jersey. The critique against foreign-owned oil companies convinced Rockefeller that Creole needed to provide for the well-being of its employees and act to ameliorate some of the appalling conditions near the oil camps. Mexico's expropriation of foreign oil companies in 1938 made an impression, as did the New Deal political milieu at home. The message seemed clear: if business did not consider the economic welfare of all people, social pressure would move states toward planned economies, and if American businesses wished to continue to find open markets for investment
abroad, corporations would have to change their behavior and improve their images. While he convinced Creole executives to make some effort to improve their public relations, the company primarily responded to government demands for improved conditions for workers.¹¹

The ambitious, confident, and idealistic young Rockefeller even created his own company to contribute to economic diversification, the Compañía de Fomento Venezolano or Venezuelan Development Company. He hoped to make money while establishing a reputation as a progressive businessman with sound entrepreneurial instincts and a social conscience. As he sought opportunities, he encountered obstacles. In one case with implications for his postwar experiences, he halted plans for a “socially responsible” food retail center, designed to counteract the tradition of hoarding food for the purpose of speculation. Consultants advised that political backlash from angry commercial groups would be too severe. Despite such setbacks, during this period Rockefeller developed a fascination with Latin America, its people and its cultures.¹²

War interrupted Rockefeller's Venezuelan plans. Concerned over Axis political and economic influence in Latin America, he served as the coordinator of the Office of Inter-American Affairs (OIAA) in the Roosevelt administration and as assistant secretary of state for Latin American affairs in 1945. During his stay in Washington, Rockefeller identified with individuals he viewed as sympathetic to the needs of Latin America, such as President Franklin D. Roosevelt and Vice President Henry A. Wallace. Despite other more visible activities, one of Rockefeller's most important accomplishments was the founding by the OIAA of a government corporation, the Institute of Inter-American Affairs (IIAA), that represented a new departure in government-sponsored technical assistance for development. Previous programs had emphasized the development of strategic materials, such as rubber, or complementary products, such as coffee, that would not compete with North American agriculture. In 1943, the IIAA created a “Basic Economy” department, which encouraged the development of agriculture based on a country's food needs rather than its place in the international market. Based on Rockefeller Foundation principles of self-help, the IIAA emphasized cooperative projects in such areas as food supply, health, and sanitation, for which foreign assistance would be phased out, leaving the assisted nation with programs it could continue to fund and operate on its own.¹³

As the war ended, Rockefeller's wartime experiences refined his prewar strategy to promote economic development. He decided to serve as an example to other private interests, leading the way in filling the gap left by the reduction in U.S. government interest and involvement in Latin America. He
wanted to combine the nonprofit activities of the traditional philanthropic organization with a new set: profit-making companies with social objectives. He envisioned these companies as small model enterprises that would reinvest earnings to increase production and reduce prices. He and his associates, most of whom had experience with the wartime OIAA, eventually decided on two distinct programs, the nonprofit American International Association (AIA) and the for-profit International Basic Economy Corporation (IBEC). The AIA would follow the cooperative model established by the IIAA. IBEC projects would serve as models to local and foreign investors, using modern techniques to demonstrate that profits could be derived in previously low-profit sectors of a nation's basic economy.

After initial planning for programs in Venezuela and Brazil, Rockefeller and his associates began their activities in Brazil. Then, in late 1946, they stepped up their Venezuelan efforts, developing a program with significant differences. First, Rockefeller viewed the Venezuelan program as something of an emergency measure, a direct response to a perceived food crisis that threatened to destabilize the new government. Second, the oil companies in Venezuela put up large amounts of the capital involved. This provided the means for larger, more ambitious projects. Third, the negotiations for entry occurred at the highest levels of the federal government in Venezuela. Last, the Venezuelan government participated directly in the IBEC venture through its development agency, the Corporación Venezolano de Fomento (CVF). Armed with greater available resources and more extensive contacts at the national level than in Brazil, Rockefeller believed he could have a more significant impact on the smaller Venezuelan economy.

The new government was led by Provisional President Rómulo Betancourt and leaders of his political party, Acción Democrática (AD). They came to power after participating with young army colonels in overturning the progressive but oligarchic Isaías Medina Angarita administration. While they asserted power by force, AD leaders proposed to expand representative democracy by franchising previously excluded groups, which led in December 1947 to the election of the first truly “popular” president in Venezuelan history, novelist Rómulo Gallegos. AD’s success was directly attributable to Betancourt. His former career included arrest and exile by President Gómez in 1928, membership in the Costa Rican Communist Party, and a subsequent break with the communists. A brilliant organizer, he guided AD’s growth through its legalization under President Medina and its active recruitment of a multiclass coalition throughout all regions of Venezuela. He built his reputation in part through harsh criticism of U.S. oil companies and the government’s subservience to international capital. Indeed, in 1939, Betancourt
had written derisively of the visiting Nelson Rockefeller as “Johnny Ten Cents,” a hypocrite pretending to play a humanitarian role while oblivious to the real needs of the Venezuelan people.17

Once in power, Betancourt and AD responded to conditions of economic dependency and distorted economic development through policies designed to promote economic self-sufficiency and greater economic bargaining power in Venezuela’s foreign relations. The government extended the work of previous administrations in gaining greater revenues from foreign-owned oil companies by enforcing the 50–50 profit-sharing policy of the Medina administration. In addition, the government negotiated with the oil companies to build refineries on Venezuelan territory and attempted to barter oil for Argentine meat. They established a Greater Colombian Merchant Fleet with Colombia and Ecuador to reduce dependence on the U.S. Merchant Marine. The government also established an independent development agency, the Corporación Venezolana de Fomento, modeled loosely on a Chilean development agency.

The CVF’s purpose was to use the state to modernize the economy through both industrial and agricultural projects. The CVF, under the leadership of its president Alejandro Oropeza Castillo and the minister of development, Juan Pablo Pérez Alfonso, attempted to develop aspects of the economy either that they viewed as unsuitable for private investment or in which private capital was reluctant to invest. The CVF’s methods reflected Betancourt’s assumptions regarding Venezuela’s capitalists. He viewed them as parasites, speculative and untrustworthy, lacking sufficient nationalist feeling to invest in productive enterprises for the public good. In contrast, he saw elements of foreign capital as progressive. One aim of the CVF was to show local capitalists that investments could provide social benefits. In the long term Betancourt hoped to reduce Venezuela’s dependence on foreign capital; for the short term he had more faith in the government’s ability to harness foreign than domestic capital for economic development.18

In light of these views, Betancourt moderated his anti-imperialist rhetoric. He and AD leaders immediately assured U.S. embassy officials and U.S. and British oil company executives that they had no plans for major changes in oil policy. Betancourt believed that in the short term Venezuela lacked sufficient technical knowledge and skills to run the petroleum companies. He actively sought private foreign capital to assist in the development of other aspects of Venezuela’s economy, from steel to grain elevators. He also attempted to pursue a policy of “social peace.” To reassure powerful economic groups, in 1946 he established an “Economic Council” composed of business and financial leaders to advise the government on economic policy.
While the AD-led government pursued controversial land and education reform, promoted further organization of labor, and unlike most other democratic-leftist movements of the period, promoted the organization of peasants, Betancourt discouraged strikes.19

In 1946, two urgent and intransigent problems faced the new government: a food shortage and the high cost of living. In Venezuela, the booming oil industry pumped petroleum revenues into the economy, generating wage disparities and the highest cost of living in the Western Hemisphere. A rapidly expanding population and the difficulties of postwar economic adjustment contributed to a food shortage.20 Betancourt pursued a variety of avenues to increase imports and local food production, most of them with little success.21 He looked to the United States for assistance. In addition to petroleum revenues, Venezuela, like other Latin American nations immediately following World War II, had dollar reserves from sales to the Allies. The CVF attempted to import agricultural machinery, steel, and other equipment to modernize its agriculture.22 Such equipment was largely unavailable.

Disappointed by their failed attempts to purchase capital equipment and by quotas limiting food imports from the United States, AD leaders asked Rockefeller to serve as an intermediary between the U.S. government, U.S. firms, and the Venezuelan government. Rockefeller could only repeat what U.S. officials had already told AD leaders: Venezuela’s food needs were carefully considered in light of the high demands on the world’s food supply, and reconversion to peacetime production proceeded apace, but domestic and international demand for equipment was high. Similar refrains frustrated other Latin American governments.23 While reluctant to take on the role of go-between, Rockefeller welcomed discussions about fishing, farming, food distribution, and other projects that matched his goals for IBEC. From Betancourt’s perspective, Rockefeller’s IBEC provided a means to approach both the food problem and a goal of AD petroleum policy: persuading the oil companies to use some of their profits to address social and economic problems. It was this aim that facilitated Rockefeller’s plans to undertake his projects in Venezuela, since oil company executives agreed to contribute capital.24 In January 1947, Rockefeller came to Venezuela to work out a mutually acceptable arrangement.25

The venture appealed to U.S. embassy officials and prominent AD economic development planners because it seemed to promise a reformed and reforming capitalism. The New Deal ethos of a capitalism leashed by government to benefit all people, whatever its basis in reality, still had a strong appeal in Venezuela, and U.S. officials understood this. An embassy memo to the State Department noted, “The impression conveyed by Rockefeller that
permanent values of democratic political institutions can and must be preserved by constructive adjustment of the economic structure gave the people a new concept of capital’s functions.” Enthusiastic representatives of the government, including Betancourt, Oropeza, and Pérez Alfonso, seemed to concur. Betancourt assured Rockefeller that only a “liberal democratic approach” rather than the approaches of the “communists or reactionaries” could meet Venezuela’s needs. Oropeza wrote of his “great hopes” for their cooperation, adding that intelligent leaders could save “the capitalistic regime from the misfortunes which it suffers from the overwhelming social upheaval throughout the world.” Pérez Alfonso considered gaining Rockefeller’s assistance a “triumph for Venezuela” and praised the “technical and administrative aid of the North American people” in assisting the people of Latin America.

Despite this support from influential AD leaders, opposition to Rockefeller’s plans emerged. From critics on both the right and the left, and among members of AD, came questions regarding both Rockefeller’s intentions and the motives of the participating oil companies. Prominent local businessmen objected to extensive government investment. Opponents on both the right and the left expressed concern that Rockefeller and the oil companies would gain what they called a “monopolistic” control of the economy because of the extension of foreign-financed activities into agriculture and industry. In response, in May the government prepared a “Joint Memorandum,” outlining conditions for cooperation with the Rockefeller ventures.

In the memo the government asked that the Venezuela Basic Economy Corporation (VBEC, IBEC’s Venezuelan subsidiary) reserve to itself only 50 percent of its capital, the remainder to be provided by Venezuelan private investors and the CVF. It also demanded that dividends be limited to 6 percent. Betancourt and Perez Alfonso later argued that just as the U.S. government limited profits on public utilities, the Venezuelan public should be protected by their government against unfair markups on basic goods. They also required that within ten years after VBEC established the companies, control of them should be sold to Venezuelan investors.

Rockefeller responded quickly to protect what he considered the fundamental basis of free enterprise—the growth of private initiative through the profit incentive. He also objected to carving out an economic sphere subject to limited profits by private investors. This would set a precedent that might be extended to other sectors, such as the oil industry. He pointed out that the oil companies were already limited to 4 percent of earnings from VBEC. Rockefeller agreed to offer 50–50 capital participation through ownership of preferred stock by CVF, with later sale of common stock to the public. While
he hoped to set an example of privately capitalized development, Rockefeller accepted government investment for political reasons. He even preferred government to extensive private Venezuelan investment until the projects’ success seemed assured. Rockefeller’s prewar experiences with a hotel venture in Venezuela made him apprehensive about the response of local investors if the companies failed or were slow to take off.38 But a proviso that government-held stock would later be sold to the Venezuelan public reflected his concern that state involvement be only a temporary measure. In private, Rockefeller had asserted that he hoped to “halt the trend” of a South American “tendency to leave all developmental work to government agencies.” Rockefeller had great faith in a capitalist system with a social conscience. He was optimistic that such a system would demonstrate its value over a state-dominated economy.33

Rockefeller also assured the Venezuelan negotiators that he would keep capital funds in Venezuela and would eventually offer the majority of common stock to Venezuelan private investors. For their part, the Venezuelans conceded the vital issue of unlimited profits and VBEC control of any companies created. Rockefeller believed he had not compromised his “basic principles,” and AD leaders decided that the deal addressed their major concerns. Probably more important, they had a political defense against charges that the government was carelessly giving up Venezuela’s economic sovereignty.34

For the next eight months or so, the public response to Rockefeller’s activities fell into a predictable pattern. In general, left editorials were harshly critical of the Rockefeller presence. From the right came occasional criticism of government investment in the projects, but general satisfaction with the agreement. Even the presidential campaign in the fall of 1947 fit into this pattern. Leaders of the moderate-to-conservative Christian Democratic Comité de Organización Política Electoral Independiente (COPEI) said little about Rockefeller during the campaign; they and AD were absorbed in mutual recriminations regarding outbreaks of physical violence between COPEI and AD members. The center-to-left Unión República Democrática (URD) and the two factions of the Communist Party in Venezuela continued to express their concerns about Rockefeller. To URD leader Jóvito Villalba, the Rockefeller enterprises were “a demonstration of the imperialistic policy of the Government” and “a step backward for the country.”35

AD won a resounding victory at the polls on 14 December with the election of Gallegos to the presidency.36 With confidence, VBEC released publicity on 16 January and 4 February regarding the organization of the farming (Productora Agropecuaria Compañía Anónima, PACA) and fishing (Pesquerías Caribe Compañía Anónima, PESCA) companies. U.S. Ambassador Walter Donnelly reported to the State Department that “today’s press
coverage is simply the public announcement of an accomplished fact.” Betancourt told Donnelly that he had full confidence in VBEC and blamed renewed opposition attacks on communists. At this point, most criticism was indeed from the left of AD, although not only from communists. It is significant that the fishing and farming projects posed little threat to Venezuelan business interests. The government and VBEC were the only groups attempting to organize and modernize the fishing industry beyond the efforts of individual fishermen. Further, as an editorial in the centrist *El Universal* observed, the farms were located on so-called abandoned lands, and the initial risk was potentially great. The editorial noted that few Venezuelans would risk capital on enterprises with such low profit margins. In addition, business and financial interests approved of the provision that private Venezuelan capital would eventually displace foreign capital and the fact that the CVF’s ownership through preferred stock meant the government corporation would not run a risk with public money.

For a time, then, it seemed that intrusive political problems were minimal. While in Venezuela to attend the 15 February inauguration of Gallegos, Rockefeller and CVF President Oropeza reached a tentative agreement on CVF participation in a food distribution company, Compañía Anónima Distribuidora de Alimentos (CADA), pending approval by the CVF directors. Rockefeller envisioned CADA as a network of warehouses and supermarkets supplied through both imports and local production. VBEC officials hoped CADA would meet the demands of AD and the oil companies for more and cheaper imports of food in the short term to supply the expanding food deficit. As early as July 1947, Pérez Alfonso and Oropeza had given “informal approval,” expressing their hope that the company could begin operations quickly. Then, during the election campaign, AD leaders had developed a cautious approach to CADA and a possible deal with a regional milk company, which they correctly saw as subject to greater political attack than the farming and fishing companies. The CVF had pressed VBEC officials to wait to organize CADA for “obvious reasons.” VBEC officials reluctantly agreed, although they feared delays would mean heavy losses since they had already purchased land and equipment.

After the election but before final approval came on CADA, a major crisis occurred in VBEC’s public relations. On 9 March Caracas newspapers published articles on CADA. The source of information was a press release from Houston, Texas, announcing plans for the distribution company and explaining that it would import products through a Houston firm, Henke and Pilot. The news that Rockefeller would begin his efforts to increase the food supply not by purchase of local products but through imports mobilized Rockefeller opponents.
Much of the criticism now came from the commercial sector. The Sindicato Patronal de Comerciantes (Commercial Employers' Association) announced that it opposed Rockefeller because CADA enjoyed unfair influence in gaining imports: "A competitor like Rockefeller, with international political influence, with power to influence transportation of all kinds, with possibilities of investing millions even at risk of loss, cannot be resisted by criollo [Venezuelan] commerce." A representative of the Corporación de Comercio Mayorista (Wholesale Trade Corporation), made similar claims. Rockefeller could provision the market cheaply, he suggested, but the cost would be "the ruin of thousands of Venezuelans and the domination of our markets by foreign capital." An article in the editorially conservative Últimas Noticias noted growing collaboration between the Wholesale Trade Corporation and the government's National Supply Commission; Venezuelans did not need "foreign intervention or its capital."

The government and AD leaders did their part to minimize the damage. When the Commercial Employers' Association in a 12 March meeting passed resolutions "to petition the President, Congress, and the Municipal Council to declare [VBEC personnel] 'persona non grata' in the country," the Senate and Municipal Council four days later voted along party lines to deny the petitions. The AD-dominated and largest labor organization, Confederación de Trabajadores Venezolanos (CTV), approved the agreement. An editorial in the party organ, El País, accused VBEC's opponents of "political maneuvering, energized by the Communist Party in fulfillment of international orders and with the help of URD."

While AD attacked the extreme left by suggesting it was under Soviet influence, which also had the advantage of highlighting AD's pursuit of national as opposed to foreign interests, it pursued a strategy of appeasement with the right. AD leaders scheduled meetings for VBEC officials with the Fedecamaras (Chamber of Commerce) and the Economic Council. When Venezuelan importers expressed concern that Rockefeller would use up part of their nation's U.S. export quotas on essential agricultural products, VBEC official Bill Coles reassured importers "emphatically that all of our export permits had been procured outside of the Venezuelan quota." The council then approved the CADA program.

After the March crisis Rockefeller traveled almost monthly to Venezuela for discussion with VBEC personnel, government officials, and businessmen. He agreed to cooperate with other distribution organizations in the outlying areas of the country, promised to assist Venezuelan importers in establishing connections in the United States, and reassured them that the United States had given him "encouraging promises" that Venezuela would
continue to receive basic products beyond its assigned quota. VBEC now began to find Venezuelan partners, such as the previously anti-Rockefeller Wholesale Trade Corporation, for its distribution company.48

Rockefeller’s public relations generally improved, but the Gallegos government faced escalating attacks from the press and the opposition parties and growing restlessness among military leaders. Even the centrist papers found little to praise and much to disparage regarding AD policy and performance. AD’s oil policy, agrarian reform, and labor policy worried influential Venezuelans, and the political parties complained of AD’s domination of the government. The press published accusations of corruption and misuse of public monies.49

As the political crisis intensified and neared its climax, AD’s opponents had an opportunity to scrutinize the Rockefeller relationship with the government. At an extraordinary joint session on 28 October, the Venezuelan Congress debated and voted on the Memoria y Cuenta (annual report, including plans and budget for the following year) of the Ministry of Development. While the VBEC projects were a small portion of the entire Development Ministry’s program, AD’s opposition turned the “Rockefeller Plan” into a central focus of the debate. The debate highlighted the main trends in the criticism of Rockefeller/government collaboration that had developed during the preceding two years. Regardless of the particulars, there was an undercurrent of frustration and opposition to AD and its strategies of governance.

Pérez Alfonso and AD Secretary of Organization Alberto Carnevali defended the government by pointing to the conditions placed on VBEC, namely, the ten-year proviso, the 50 percent Venezuelan ownership rule, and the general oversight by the CVF through its participation in the projects. They argued that a diligent national government, unlike the corrupt ones of the past, could prevent exploitative practices by foreign investors; under AD oversight, Rockefeller could not monopolize Venezuela’s basic economy.50 Opponents from all the other parties continued to raise doubts about the ability of the government to manage Rockefeller or hold him to the conditions. The tiger and pugilist metaphors exemplify the intensity with which opponents illustrated the danger Rockefeller presumably posed.

The stormy debate demonstrated the fault lines on the question of Venezuela’s economic development. URD and the communists opposed in principle any foreign investment outside the petroleum sector; AD and COPEI agreed that Venezuela lacked needed technical expertise and capital, but COPEI members questioned the need for foreign investment in competition with Venezuelan nationals in commerce and agriculture. Indeed, the perceived threat to Venezuelan merchants through competitive advantages
concerned members of all the opposition parties. COPEI and URD delegates alike observed that, while some Venezuelan importers and wholesalers were not acting in the national interest, many loyal, "democratic" Venezuelan merchants were. Jávito Villalba complained that the government should stop speculators itself, not bring in Rockefeller to deal with them.\textsuperscript{51}

The debate had no real significance for AD policy. The new 1947 constitution, like previous Venezuelan ones, provided for a strong executive. Rule by decree was the norm. AD dominated the bureaucracy, particularly the Ministry of Development. Besides, AD's vast majorities and party discipline ensured passage of its legislation. In the case of the \textit{Memória}, the opposition could merely insist that their objections be noted.

One group possessed significant means to alter the balance of power. The military pressed the Gallegos government to replace cabinet members. Gallegos refused and suspended constitutional guarantees on 20 November. On 24 November 1948, the military overthrew the Gallegos government. Despite AD's popular following there was little resistance; most Venezuelans did not anticipate that the event represented the beginning of ten years of increasingly harsh military dictatorship. The three-man military junta, composed of Lt. Colonels Carlos Delgado Chalbaud, Marcos Pérez Jiménez, and Felipe Llerena Páez, announced its reasons for the coup as the political turmoil of AD rule, the monopolistic control of offices by AD and its interference with the military, and its incitement to unrest of workers and peasants. URD, which initially favored the coup, insisted that the collaboration of AD with Nelson Rockefeller demonstrated AD's failure to govern in Venezuela's national interest.\textsuperscript{52}

Gallegos mishandled the growing opposition from the military. And AD alienated the other parties by refusing to share power in significant ways. In light of AD's huge popular support—it received over 70 percent of the vote in elections for the Constituent Assembly in 1946, for the president in 1947, and for the Municipal Council in 1948—the other parties felt shut out from power. In their party organs before the coup, URD and COPEI indirectly suggested military intervention.\textsuperscript{53} As for the communists, the faction known as the Blacks supported the coup and were later favored by the military government as a counter to AD among labor unions. The scholarly consensus is that the military, uneasy with the intensity of political conflict and concerned about the direction of AD's policies and "one-party rule," found support (or at least no opposition) from the other parties, economic elites, and the Catholic Church.\textsuperscript{54}

Gallegos charged the U.S. government and the oil companies with complicity in the coup; he retracted his statement after reassurances from Presi-
dent Truman. Scholars generally agree that the United States undertook no direct involvement. Regarding the respective role of U.S. and domestic interests, Stephen Rabe concludes, "If they [adecos] had respected the power of Venezuela's traditional elites as much as they respected U.S. power, the adecos perhaps would not have suffered a decade of exile." The large oil companies did not support the coup, but they pushed for U.S. recognition of the military junta to promote stability. In the end, their interests were temporarily served, since the military halted the gradual trend toward greater national control of Venezuela's oil. In Latin America, and in Europe, the labor-left was in retreat. As the conflict between the United States and the Soviet Union intensified, the Truman administration was loath to antagonize potential allies by refusing recognition.

In the coup's aftermath, VBEC officials debated the future of their projects under the military junta. Not unlike the Truman administration, they worried about how quickly to establish a working relationship with the new government. Junta President Delgado Chalbaud assured Ambassador Donnelly that the government supported the Rockefeller projects. But VBEC-government relations were strained. When Rockefeller entertained Betancourt in his New York home in Pocantico Hills, news of the dinner reached Venezuela; VBEC officials scrambled to explain. Thereafter, Rockefeller maintained a cordial but distant friendship with Betancourt. Actually, the new government did not place a high priority on VBEC. In a June discussion on VBEC's future, Miguel Moreno, secretary of the junta, admitted he knew little about the details of the VBEC-government relationship. He noted the dismal financial picture of the enterprises and continued attacks on them. Characteristically for the "unity"-minded junta, he observed that the government wished "to divest VBEC from all politics." After a reorganization, the CVF would formulate a policy on VBEC. (Of course, this reorganization would purge the CVF of AD members and sympathizers.) VBEC representative Bill Coles departed with the perception that "in view of the attacks (on VBEC), the Government is somewhat embarrassed at being a partner of VBEC's and . . . they might want to alter the fundamental agreements at sometime in the future." After prolonged negotiation, the government sold its preferred stock to VBEC in 1950 and 1951 in exchange for cash and some fixed assets. The government came out about even, while the oil companies bore the brunt of the losses. Rockefeller consolidated the holdings, continuing operation of the milk and supermarket companies on a much smaller scale.

VBEC's weak showing was partly caused by poor decisions by Rockefeller and VBEC officials as well as the difficulty of pioneering in the establishment
of modern, productive, and profitable agricultural enterprises in Venezuela in the late 1940s. It was also the result of the interplay of these factors and the nationalist politics faced by VBEC. Rockefeller was eager to work with AD leaders in projects of mutual interest and prove that his companies could make profits and solve Venezuelan needs. In the ensuing haste to achieve these objectives and forgetting his goal of developing small enterprises, Rockefeller's company struggled to pursue "sound" business policies, stay out of political controversies, and manage public relations. A volatile mix resulted from the spotlight of attention and opposition: both mistakes and high expectations. The companies overextended financially, burdening themselves with costly assets from hasty purchasing. Nationalist politics contributed to the severe financial difficulties, causing delays in the organization of CADA and capitalization of Frigorífica, C.A., created with 75 percent CVF ownership to hold the property that CADA then leased. The rationale behind this company was that CADA would benefit from government capital without the political risks. The government also declined to contribute capital to the milk company for political reasons.\textsuperscript{62}

One of the most significant aspects of the nationalist opposition in Venezuela was that Rockefeller and AD leaders found themselves squeezed between the left and the right. The left, including the left-of-center URD and extreme left Communist representatives, constantly challenged AD leaders to remember their roots as anti-imperialist nationalists before coming to power. CVF participation in VBEC and the conditions of the May joint memo represented AD's attempts to address charges from the left, which included some members of AD. On the other hand, the right questioned the association of the state with private foreign capital and, perhaps more important, what they viewed as special privileges provided to foreigners. They had no objection to foreign investment and expertise so long as it did not provide competition with Venezuelans. AD leaders avoided participation with CADA to appease the right, only to face charges that it lacked control over CADA from the left. On other issues as well, AD leaders ultimately understood that to maintain power they must make some effort to placate dominant economic groups.\textsuperscript{63} But AD's efforts to moderate its policies and to indicate its support for private foreign capital proved frustrating to the left and inadequate in appeasing the right.

Rockefeller could not resolve the tension between using the profit motive to mobilize Venezuelan capital and pursuing social objectives more in tune with the goals of the democratic left. Despite his goal of serving as a model to Venezuelan capitalists, he found that many of them did not share his flexibility regarding strategies for increasing production. They were skeptical of
his motives and viewed him merely as a dangerous competitor. Rockefeller's goals of reforming business attitudes seemed more likely to be achieved, not through persuasion, but through results. Given VBEC's poor financial showing, Rockefeller had little impact on the Venezuelan business culture of high-profit–low-risk investment. Venezuelan capitalists, and most U.S. investors, did not share his view that self-interest demanded direct action to raise living standards by focusing on the "basic economy," primarily food production and distribution. Significantly, by the latter part of the 1950s, Rockefeller's successes in milk processing and supermarkets led to Venezuelan competitors in those businesses, as he had originally intended. Success for Rockefeller's "social objectives" seemed most likely through alliance with AD leaders. They possessed political power, and because of their modernization plans, they were eager to work with foreign capital when they believed that cooperation furthered their ends. Their practical approach and willingness to experiment in promoting Venezuelan economic development appealed to Rockefeller. While he hoped to wean them from their preference for state-directed action, he did not see their "economic nationalism" as a mortal threat to U.S. interests. As Nick Cullather has shown for Taiwan, while official U.S. policy supported nonstatist development policies, Americans deeply involved in individual national cases often showed flexibility to local conditions. During the politically volatile trienio, however, cooperation came to naught, since there was too little time and too much outspoken and powerful internal opposition to AD.

The Venezuelan experience demonstrates, too, the need for policy makers and historians to assess "economic nationalism" on a nation-by-nation basis. The reaction to Rockefeller in Venezuela contrasts with the quieter response to his projects in Brazil. Elizabeth Cobbs notes that Rockefeller's name "became a convenient synonym for North American Imperialism." She minimizes political opposition to Rockefeller, however. Of press attacks, she remarks, "The tempests were invariably short-lived. Considering Brazilian nationalism and the connotations of the Rockefeller name, reaction against IBEC and AIA was remarkably mild." There are several reasons for the milder opposition to Rockefeller in Brazil than in Venezuela. IBEC ventures in Brazil were smaller, generally well conceived, and, on the whole, more successful. IBEC officials recognized the difference and longed to translate their Brazilian successes in Venezuela. The Brazilian state never participated directly in IBEC. It might have made no difference if it had, since Brazil pursued statist economic policies throughout the 1940s and 1950s and was in the main receptive to foreign capital. Regardless, Rockefeller's for-profit projects were never as closely identified with Brazil's government. Finally, Rockefeller
could never overcome the negative baggage from his Standard Oil connec-
tion in Venezuela. The family ghosts he faced in the oil-rich nation remained
ever present. Similarly, the oil companies’ contributions to VBEC created
another target. This points to the strength of economic nationalism in Vene-
zuela relative to Brazil. Despite growing frustration with U.S. policy, many
Brazilians continued to believe that their nation shared a special relationship
with the United States. Brazil had a more diversified economy and greater
distance than the Caribbean nation had from the United States. In contrast,
Venezuela in the early postwar period relied on petroleum for 90 percent of
its export earnings; petroleum revenues accounted for around 70 percent of
its budget. Venezuela was simply more dependent on the United States, and
that dependence bred hostility.

The U.S. policy of promoting private enterprise for economic develop-
ment meant encouraging Latin American governments to provide an atmo-
sphere congenial for private foreign investment. Since AD provided such an
environment—indeed, eagerly sought foreign investment to diversify and
modernize Venezuela’s economy—the State Department was content. Active
cooperation between the oil companies and the State Department occurred
because of the strategic nature of the oil industry and the goal of U.S. oil
policy, maintaining control of foreign oil by U.S. companies. The Truman
administration, like Roosevelt’s, responded to AD’s nationalist oil policy by
indicating its approval of Venezuelan efforts to increase its share of wealth
from petroleum profits. But the United States discouraged attempts by Vene-
zuela designed to exert more control over petroleum, such as taking royalties
in petroleum and establishing a government oil agency.67 Issues in oil
development were priorities in U.S.-Venezuelan relations. While this was to be
expected, Venezuelan leaders were frustrated by the lack of attention to
broader economic development from Washington. At the April 1948 Bó-
gota Conference to set up the Organization of American States (OAS), Venezue-
lan delegate Betancourt led the futile call of Latin American leaders for a Mar-
shall Plan for Latin America. The United States was interested in gaining
support on a resolution condemning totalitarianism and attempted to head
off economic questions. Still, it is not clear what impact greater economic aid
might have had in this period. Had the U.S. government been more forth-
coming in economic assistance to the Betancourt and Gallegos administra-
tions, it is unlikely that AD would have survived its domestic challenges
given the character of the political opposition to AD’s policies.

While the United States was not inclined to provide a large-scale plan for
Latin American economic development, it also made little effort to address
Latin American concerns in smaller matters. Rockefeller’s contacts based on
his government service during the war and previous activities at the embassy in Caracas facilitated his gaining support for his projects. But his "experiments" were viewed as good works that required little active support. IBEC officials used the deterioration of the political situation in the late summer of 1948 in their argument for continued approval to import goods into Venezuela beyond that nation's quota. IBEC had received special project status in part through Rockefeller's personal connections, but the criterion for this status was that food should go to ensure adequate nutrition for U.S. workers employed in the production of strategic materials. Since VBEC's products were intended to help Venezuelan consumers, not just American workers employed in the production of petroleum, representatives of the Commerce and Agriculture Departments questioned special project status renewal. The State Department declined to intervene.68

In 1952, Rockefeller criticized U.S. economic development policy. In November 1950 Truman had appointed Rockefeller chairman of International Development Advisory Board (IDAB), charged with examining U.S. foreign economic policy, particularly Point Four technical assistance. Rockefeller recommended a centralized agency to coordinate public and private aid. His personal experiences had led him to believe that greater state cooperation with private interests would facilitate development projects like the ones he had initiated in Venezuela. The administration's consolidation of foreign economic assistance programs in the Mutual Security Agency was not what Rockefeller had envisioned. Moreover, Rockefeller argued, it was bad "public relations" to tie U.S. defense interests to foreign assistance for economic development: "Efforts to use economic assistance as a means of buying political friends or military cooperation only undermine and corrupt our long-term relations with other nations." Rockefeller sensed the world was at "a unique moment in history," when "the basic spiritual forces, democratic concepts, and economic necessities which stirred this country to revolt 175 years ago are stirring again today among peoples throughout the world."69

Despite Rockefeller's rhetorical claim that common goals existed between North American revolutionaries in the 1770s and Third World nationalists in the 1940s and 1950s, neither the Truman nor the Eisenhower administrations pursued Rockefeller's ideas as Cold War concerns increasingly colored U.S. foreign relations. Latin American aspirations for national economic development continued to rise, despite the ebbing of democracy.

The end of the Cold War permits an opportunity to revisit questions that were obscured both by the emergence of the Cold War and by Cold War-dominated historiography. Now, with the increasing priority given to open markets and investment in U.S. foreign relations, a reexamination of
Rockefeller's ideas and the challenges he faced may provide insight for those interested in moderating the political, social, and economic impact of the United States in the countries of the Third World.

Notes

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1. *Gaceta del Congreso de los Estados Unidos de Venezuela (Sesiones Extraordinárias)*, Caracas, 29 October 1948, Mes VII, No. 18, 1007–49.


4. See Kyle Longley, “Resistance and Accommodation: The United States and the Nationalism of José Figuères, 1953–1957,” *Diplomatic History* 18 (Winter 1994): 1–28; and Kenneth Lehman, “Revolutions and Attributions: Making Sense of Eisenhower Administration Policies in Bolivia and Guatemala,” *Diplomatic History* 21 (Spring 1997): 185–213. Perceived differences behind economic nationalist goals in Guatemala and Bolivia led the Eisenhower administration to pursue different policies in response to reforming governments. Lehman argues that the administration failed to account for the similarities in the two cases; the policy choices were not the result of systematic analysis.


national factors in shaping Latin American politics, see David Rock, ed., Latin America in the 1940s: War and Postwar Transitions (Berkeley, CA, 1994).


15. Ibid. The first Brazilian project was an emergency one designed to deal with a hog cholera epidemic, but other AIA-IBEC projects in Brazil did not have this emergency character. The sense of urgency was clearly expressed by AD leaders. See Memória y Cuenta de la Corporación de Fomento (Caracas, 1947), 121.


(Caracas, 1946), 8–9; Rómulo Betancourt, Venezuela: Oil and Politics, trans. Everett Bauman (Boston, 1979), 314; Kolb, Democracy, 30–31.


20. Since the late 1930s, Venezuela had been the largest exporter of petroleum in the world and had vied with the Soviet Union for second place in the production of petroleum behind the United States. In 1945 the United States produced 1,714 million barrels of oil; the Soviet Union, 149 million; and Venezuela, 323 million. President Medina’s 1943 petroleum legislation ensured that Venezuela received a significant share of oil industry profits. Edwin Lieuwen, Petroleum in Venezuela: A History (Berkeley, CA, 1954), 121.


22. Conversation between Dawson and Betancourt, Corrigan to secretary of state, airgram A395, 30 October 1945, General Records of the Department of State, Record Group 59, file 831.00/10–3045, National Archives II, College Park, MD (hereafter RG 59, with file number).


27. Memo re Trip to Venezuela, 7 February 1947, NAR: Personal, AIA-IBEC, box 14:144.

28. Oropeza-Castillo to NAR, 11 February 1947, and Juan Pablo Pérez Alfonso to NAR, 19 February 1947, both in IBEC unprocessed, box 21, folder, Public Relations: Letters of Introduction, RAC. Pérez Alfonso later played a major role in the establishment of OPEC.


30. Betancourt, Oil and Politics, 275–77; Alexander, Rómulo Betancourt, 286.


33. Rockefeller’s prewar development company built a luxury hotel in Caracas at the behest of President López Contreras. When wartime exigencies threatened to derail the project, some Venezuelan investors sold their stock to the Rockefellers. While the stock purchase was intended to prevent both hard feelings and losses on the part of the local investors, they later cried foul when the venture proved successful; “Minutes of Special Meeting of Board of Directors (VBEC),” 12 June 1947, Broehl Papers, box 4: VBEC: Corporate Papers and Minutes, 1947-1949, RAC.

34. “Report by NAR.” AD used the agreements to answer criticism. See Betancourt to Pedro René Barboza and Juan R. Hernández W., 23 July 1947, Archivo Histórico de Mirafloros: Sección Cartas, L725-C (Caracas) in which Betancourt insists that AD is protecting Venezuela from foreign domination, bolstering his argument by sending copies of the Rockefeller agreements.


36. Gallegos received 871,752 votes; COPEI candidate Rafael Caldera, 262,204 votes; Communist candidate Gustavo Machado, 36,514. URD did not field a presidential candidate. In the congressional elections, AD received 70.83 percent, Copel, 20.48 percent, URD, 4.34 percent, and the Communists, 3.64 percent. Robert Alexander, Rómulo Betancourt, 251.

37. Donnelly to State Department, 16 January 1948, RG 59, 831.5034/1-1648; Donnelly to State Department, 23 January 1948, RG 59, 831.5018/1-2348.


42. Doc. 1171, El País, 13 March 1948.

43. Doc. 1175, Últimas Noticias, 14 March 1948.


46. March Report, 1 April 1948, Broehl Papers, box 2: Operations.

47. April Report, 15 May 1948, March Report, 1 April 1948, Broehl Papers, box 2: Operations; doc 1198, El Heraldo, 9 April 1948; doc 1201, La Época, 15 April 1948; doc
1194. El Universal, 28 March 1948. Due to world food shortages after World War II, the United States placed country quotas on exports of essential agricultural products based on its determination of the needs of each trading nation. Rockefeller obtained special project status to import food beyond Venezuela's quota. Memo of conversation, “Requirements of VBEC, Food Production and Distribution Project,” 2 March 1948, RG 59, 831.501/3–248; Samuel P. Hays, Jr., to Mr. Norman Armour, 9 July 1948, RG 59, 831.6582/7–948.


49. Kolb, Democracy, 44; memo from Controlled Source, Political Revolutionary Movement Against the Venezuelan Government, 4 June 1948, RG 59, 831.00/6–448.


51. Ibid., 1049, 1051.

52. Documentos oficiales relativos al movimiento del 24 de Noviembre de 1948 (Caracas, 1949), 72.


55. Rabe, Road to OPEC, 116.

56. Steven Ellner insists that the U.S. government and the oil companies bear indirect blame since they knew of the military plotting and did nothing. U.S. recognition of Peru's government after a similar coup a few days earlier signaled the Venezuela military that it had nothing to fear from the United States. Steven Ellner, "Venezuela," in Bethell and Roxborogh, Latin America, 165–66.

57. 10:30 Meetings, 10 January 1949, 22, 24, and 26 November 1948: NAR: Personal, AIA-IBEC, box 22:239. It could be said that VBEC contributed to the charged political atmosphere that brought on the coup by providing a convenient target for AD's political opponents. This certainly was unintentional. Rockefeller had a great deal to lose by the coup. Both VBEC and AIA personnel had built working relations with appropriate Venezuelan ministry officials. Each subsequent reorganization of the various ministries by the military government required renewed efforts to establish contacts, repeated recitations of goals and strategies, and general frustration and loss of morale for AIA and VBEC employees. Despite these problems, AIA remained in cooperation with the Venezuelan government through dictatorship and democracy until 1968.

58. Memo of conversation between Ambassador Donnelly and Delgado Chalbaud, 3 December 1948, RG 59, 831.00/12–848.


60. Memo to files from Coles, 3 June 1949, enclosure to U.S. Embassy, Caracas, State Department, 8 June 1949, RG 59, 831.5034/6–849.


62. Coles to NAR, 27 November 1947, NAR: Personal, AIA-IBEC, box 14:140. Also

63. AD leaders refused to move to the right as APRA did in Peru. Ellner, "Venezuela," 169.


66. Venezuelan matters dominated the agendas at IBEC meetings in New York. See the 10:30 Meetings, NAR: Personal, AIA-IBEC, box 22.


68. Samuel P. Hays, Jr., to Mr. Norman Armour, 9 July 1948, RG 59, 831.6582/7–948.

69. Speech by NAR, 7 April 1952, Conference on International Economic and Social Development, George Elsey Papers, box 61: Foreign Relations, Point Four Conference, Harry S. Truman Library, Independence, MO. By 1968 Rockefeller had moderated his views on the links between economic and military assistance. Disappointed by the failure of the Alliance for Progress and the virtual absence of political democracy on the continent, Rockefeller became convinced that military leaders had a developing "social" vision for their countries. Rockefeller Report on the Americas (Chicago, 1969).