

## **ABSTRACTS**

### **Organic Law on the Financial Administration of the Public Sector. Contents, Importance and Limitations**

*María Antonia Moreno*

This law, sanctioned in September 2001, includes a number of innovations designed to reduce the discretionality and volatility of fiscal management. Of particular importance are the requirements for pluri-annual fiscal equilibrium, for macroeconomic stabilization and coordination, and for inter-generational saving. Equally significant are the new rules for the financial administration of the public sector in the fields of budget, public credit, the Treasury, accountancy and management control. Although there are evident advances towards a modernization of the fiscal legislation, the new law evidences inconsistencies, which undermine its potential effectiveness and which, if they are not corrected, could mean the loss of yet another opportunity to resolve the structural problems which have characterized Venezuela's public finances.

**Key Words:** Public Finances, Legislation, Organic Law on Financial Administration, Venezuela.

### **Economic Aspects of the Reform of Venezuela's Organic Tax Code in 2001**

*Adriana Bermúdez*

The volatility of Venezuela's oil income has induced the current administration to continue the process of tax reform initiated in 1992, in order to increase the alternative resources potentially available to the government. One of the reforms inherited by the administration was the Organic Tax Code that regulates interests on delays in debt payments, fines, administrative and judicial procedures and the indexation of certain categories of taxes. In 2001, new modifications in the code were introduced in order to eliminate loopholes and respond to new requirements. This article examines the economic aspects of the current legislation with emphasis on the indexation of certain taxes on the basis of the application of the concept of 'tax units'. It also examines how this aspect of the reform could increase the economic incentives for tax evasion.

**Key Words:** Tax Reform, Organic Tax Code, Tax Unit, Taxes, Venezuela.

## **Establishing the Basis for the Added Value Tax and Elements for Calculating the Gap Between Potential and Effective Income**

*Fernando Villasmil*

The Added Value Tax, since its introduction in 1993, has become the main non-oil source of income for the Treasury. Hence the importance of establishing its potential for generating income. The author attacks the problem of estimating potential income for 2000, using the consumption method and applying criteria developed by the IMF, taking into account the 1999 Law and the modifications introduced in 2000. The article also offers an estimate of gap between potential and effective coverage with a view to orienting the preventive action of the Tax Administration.

**Key Words:** Taxes, Added Value Tax, Reforms, Coverage, Venezuela.

## **The Theory of Financial Preadjustment: Some Empirical Indicators**

*Luis Mata Mollejas & José Niño Díaz*

With the end of the Bretton Woods monetary agreements, exchange rate risks, the increasing use of private means of payment, uncertainty and speculation have become of central importance in the economic scenario. Thus, the adjustments in the markets for credits, titles and currencies condition the other markets and increase the importance of interest rates, short-term profits and exchange rates. In such circumstances, the orderly functioning of the economy or the complete realization of the economic circle, is conditioned by the cancelling of debts without major difficulties. If not, the result is financial cracks and currency crisis. This general explanation that we call 'financial preadjustment' and that calls into question orthodox tactics for confronting the crisis, was object of an empirical test for the Venezuelan economy between 1994 and 2000 (84 monthly observations). The results support our theory. If a similar empirical tests in the case of a developed economy were to produce the same results, the validity of the general theory could be established. Furthermore, we could conclude that the orthodox adjustment programs are not a logically acceptable solution, neither in the short, nor the long term.

**Key Words:** Financial Preadjustment, Econometric Test.

## **Public Social Expenditure in Venezuela: A History of Winners or Losers?**

*José Manuel Puente*

Venezuela, like the rest of Latin America, has suffered a drastic reduction in the income of the public sector during the last quarter of the century. Public expenditure in Venezuela fell from 34% of GNP in 1974 to 24% in 2000, returning

to the levels of the early seventies, before the oil boom. In per capita terms, the decline has been even more dramatic: 24%, taking into account only the most recent decade. How has this phenomenon affected the budgets assigned to the social area? Who were the winners and losers in the process? Why were some programs more resistant to cuts than others? This article attempts to answer these questions and undermine current myths about the character of social expenditure in Venezuela.

**Key Words:** Public Expenditure, Social Expenditure, Venezuela.

### **Financing Higher Education in Latin America (With Special Emphasis on Public Financing)**

*Héctor Silva Michelena*

This article is based on the assumption that the characteristics of the higher education system in Latin America are rooted in a matrix of contractual relations between the State, civil society and the universities. It asserts the paternalism which permeates the system and the financial bottlenecks which currently affect it. The author criticizes the prevailing incremental model and suggests the need to replace it with an alternative negotiated between the State and the universities. The proposal of the Budget Office of the Venezuelan Education Ministry, which has never been applied, is submitted to a critical evaluation and the article concludes affirming the need for a change in attitudes and mentality.

**Key Words:** Higher Education, Financing, Budget, Differentiation of Sources.

### **Productivity in the Private Sector, 1983-1999**

*Gustavo Machado & María C. Useche*

This article examines the effect of the distribution of the oil rent in Venezuela on productivity in the private sector between 1983 and 1999. Its theoretical approach is based on the French Regulationist Focus that emphasizes the concepts of structural crisis and institutional forms. The authors argue that the structural crisis of the Venezuelan economy in the eighties had a significant impact on the mechanisms for distributing the oil rent, particularly as a result of the artificially high exchange rate for the local currency that limited technological renovation in the private sector and was reflected in a fall in productivity of 38.98% between 1983 and 1999.

**Key Words:** Capitalist Rent Economy, Mechanisms for Distributing the Rent, Capital Accumulation, Productivity, Private Sector, Venezuela.

## **The Gas Era?**

*Milko González*

Substantial changes are occurring in the world energy markets. Despite the uninterrupted growth of oil production during the last 150 years, other energy sources are beginning to account for an increasing proportion of the energy market and the demand for gas is growing at a greater rate than that of oil and other non-renewable sources and its low contamination indices suggest that it is a serious alternative for the future. Indeed, while current production is the equivalent of 33 million barrels of oil per day, the International Energy Agency calculates that, during the next two decades, growth rate in the demand for gas will triplicate that for oil. Availability, costs and environment considerations favor its use in industry, for producing electricity and also for residential consumption.

**Key Words:** Gas, Expansion, Demand, Substitution, Oil.

## **Logistics in Tourist Activity**

*María A. Cabeza R.*

The tourist industry –in expansion and with a promising future– is nevertheless undergoing the impact of important social transformations provoked by the new information and communication technologies. These lead to a demand for superior quality in a wide range of services, in order to satisfy the new, constantly changing and, above all, differentiated expectations of potential clients; while, at the same time, there are ever less possibilities of assuring profitability by the traditional means of reducing costs. In this context, logistics could open out new possibilities for combining better services with costs reductions.

**Key Words:** Logistics, Tourism, Spatial Concentration, Transformation

## **The Participation Rate in the Venezuelan Labor Market, According to Instruction Level, Sex and Age, 1977-1997**

*Ana Rodríguez*

For a specialized worker a central objective is to get a job that offers possibilities of improved conditions. The chance of doing so depends, among other things, on instruction level, personal formation (experience), age and sex. This article attempts to quantify, for men and women respectively, the influence of these factors on the participation rate in the labor market. Within this context, the author examines the net impact of the worker without motivation. She then broaches the question of the joint effect of the additional worker and the worker

without motivation for men and women and related to age. Finally the article examines their influence on the participation rate.

**Key Words:** Econometrics, Statistics, Labor Force, Indices, Employment, Unemployment, Instruction Level.

### **Maximum Credible Estimates in Biplot Approximations**

*Olesia Cárdenas, M. P. Galindo J. L. & Vicente-Villardón*

Gabriel's classical biplot methods are usually applied for descriptive purposes, without making assumptions about the distribution of the population. Nevertheless, the biplot of a data matrix can also be interpreted as a bilinear multiplicative model (Gollob, 1968). From this perspective, the authors analyze its geometry and formalize mathematically a new estimation method that could be of great practical utility because it permits generalization in order to incorporate external information of relevance for an interpretation and also the construction of continuous latent variables in the social sciences.

**Key Words:** Biplots, Regression, Generalized Bilinear Models, Maximum Credible Estimates, Geometry.

### **Pilot Test and Validation of the Synthetic Poverty Index**

*Guillermo Ramírez, Alberto Camardiel & Maura Vásquez*

This article presents the results of a pilot study designed to test the methodology proposed for the collection and processing of the information necessary for determining the value of the Synthetic Poverty Index. The experience acquired in this process permitted a reformulation of the instruments for collecting information, improve the computer program and validate the Synthetic Poverty Index. These results fulfill the requirements prior to its eventual application.

**Key Words:** Poverty, Poverty Line, Synthetic Poverty Index, Encuesta de Hogares por Muestreo, Validation, Discriminating Analysis, Factor Analysis.

### **Analysis of the theoretical explanations of the process of price formation. Their applicability for the case of the price of chicken**

*Ricardo Castillo & Agustín Morales*

This article examines the different theoretical postures designed to explain price formation and then applies them to the concrete case of the price of chicken food. The first section examines the neoclassical theory, neoinstitutional economics, the mechanisms proposed by Tomek and Robinson, and Lambin's

coherences. A second part is dedicated to analyzing the rationality of the organization of the producers from the point of view of neoinstitutional economics. The author concludes that neoclassical theory falls short in the light of the practical example examined. However, none of the 'alternatives' alone can account for the evidence in this case. The use of a combination of approaches is needed. Finally, the authors indicate that, both the organization of the agents involved, and the specific form assumed in the formation of prices, respond to attempts to reduce the transaction costs implicit in the productive activity.

**Key Words:** Venezuela, Economic Theory, Prices, Chicken.