Venezuela: How to Handle Hyperinflation and Nourish a Nation

In 1999, just after a social revolution of thought swept over the nation, an economic-socialist revolution swept through Venezuela once more. This blossoming republic saw its pro-capitalist president overthrown whilst the new President, Hugo Chávez moved into the Presidential office amidst the chaos, an action that led Venezuela to momentary wealth, but is still dealing with the effects of a plummeted economy today. Furthermore, Venezuela has become plagued with rampant political corruption, crumbling land use, and the effects of a mass exodus. With this in mind, it may come as a great shock that Venezuela is exceptionally poised for a revitalization of its economy, agriculture, government services, and be restored to its former glory. However, to restore pride into the fabric of a nation, Venezuela has to implement drastic measures, or else the country will not survive.

Venezuela, formally known as The Bolivarian Republic of Venezuela is a country in the north region of South America populated by at least 300 indigenous groups with a culture of honor and notability (United Nations High Commissioner for Refugees, 2017). It is home to both rural and urban cultures, some 88.8% of the population lives in urban areas, while 11.2% percent live in rural areas (Nations Encyclopedia, n.d.). The middle class lives in urbanizaciones which are houses or tall two-story apartments within well-organized communities. Since hospitality is a big part of Venezuelan culture, the urbanizaciones use the first floor for the living room, kitchen, and socializing, while the upper floor is considered the private domain of the family and consists of bedrooms (Caras, 2015).

The lower class, which are the poor rural inhabitants, lack basic services like clean water for consumption and access to electricity. These homes are vulnerable to natural disasters like landslides (Caras, 2015). Venezuelans generally reside in homes made of brick and cement, which average about 5.28 individuals per dwelling (Caras, 2015). Despite the differences in housing between the middle and lower class, Venezuelans hold common ground on frustrations, over hunger, economic loss, and destitution. This shared perception stems from the desperation and indignation that Venezuela bestows on its own citizens through financial hardships and their mismanagement of money.

With an average winter low of 66°F and summer high of 82°F (WeatherSpark, 2021), Venezuela has the archetype of ideally, isothermal, tropical temperatures year-round, leading the population to possess fertile land for agricultural use. The soft, rich, agrible soil that Venezuela is fortunate to have in abundance is not being used in a beneficial and sustaining way. Being that Venezuela uses about 21.6 million hectares to 34.6 million hectares of land for agricultural purposes, which can be compared to over 440 New York Cities (Mordor Intelligence, 2022), it is clear that they should have the natural resources to feed the population. Instead, a typical diet of corn, rice, plantains, meats, beans, potatoes, tomatoes, fruits, and vegetables (FIU College of
Business Administration, n.d.) is often expected to arrive as imports to Venezuela through Colombia and the United States (World Integrated Trade Solution, 2021).

This odd method of feeding a nation is concerning; and it is the severe governance and policy issues that have caused extensive poverty such that the average living wage is $2.00 USD a month (Trading Economics, 2020) while the average cost of living for a single person excluding rent is about $1250 USD (Trading Economics, 2020). This extreme hyperinflation is rapidly and painfully killing the citizens of Venezuela as it is starving the people and leaving the young and old extremely vulnerable to malnutrition and dietary deficiencies.

The nation has also suffered a shift in agricultural management since its prime monetary gain is based heavily on the production and exploitation of petroleum, as it delivers forty to seventy percent of the government's income (Britannica, 2019). As oil reserves have been prioritized, farms have been seen as insignificant, thus farmers have abandoned farming, as it has been seen as more financially detrimental than profitable.

Venezuela’s story began in 1999 when future President Hugo Chávez organized a coup to overthrow his political rival President Carlos Andrés Pérez for his seat in office (BBC News, 2021). This act of rapacity fueled political unrest and ultimately to Pérez’s impeachment from office and the arrest of Chávez for organizing a coup before he became President. Before Hugo Chávez became President, Venezuela was the wealthiest nation in South America, one of the wealthiest nations in the world, and it was one of few countries in Latin America considered to be a democracy, as other countries were governed by military rule (Hineman, 2020). Chávez quickly became popular for enforcing socialist policies also known as “missions,” which were funded by the country’s oil trade, and effectively closed the gap of inequality. However, in the following years, Chávez began to grow corrupt, seizing individual wealth, including that of land and companies, he put his supporters in positions of power and granted the military broad control (Hineman, 2020). Chávez’s next election came, the global price of oil fell, and he announced the decrease of the Bolivar, Venezuela’s currency. It was once worth more than the U.S. dollar, but after Chávez’s decision, it continued to plummet, leading to extremely high rates of hyperinflation which are currently still persisting long after his death in 2013 (Hineman, 2020).

After Chávez died, Nicolas Maduro, his right-hand man was elected in 2013 (Hineman, 2020). Under Maduro problems only increased: the economy collapsed, poverty climbed higher, food shortages increased, and 5.6 million people, or one-fifth of the population fled the country in a mass exodus to other South American nations or Canada (Armas, 2022). Government mismanagement for the past two decades has led to a hunger crisis, which has only grown as inflation continues to skyrocket. Even milk and eggs, which Maduro has fixed to a set price, costs more than a typical monthly salary. Venezuelans often spend days waiting in lines to buy essential groceries and improvising substitutes to replace things no longer available or unaffordable to them (Krygier, 2018). “It’s estimated that 87% of people living in Venezuela are impoverished while 61% of the country's population live in "extreme poverty," according to the Annals of Global Health (Annals of Global Health). A 2016 study estimated that 75% of the population studied had experienced "involuntary weight loss." (Hineman, 2020)
After many years and many failed attempts to repair Venezuela’s shattered economy, it is clear that large-scale reparations need to be made to restore the economy and the agricultural sector to end the country’s starvation. Such restoration should focus on restarting the economy from the foundation, advancing agricultural growth, increasing access to quality jobs, and increasing access to general wealth. If implemented correctly, this would dramatically decrease Venezuela’s food insecurity for the long and short term future. This solution would take place over a period of three stages.

The first stage requires Venezuela to switch from a command economy to a mixed economy, and from the Bolívar’s to be backed by the gold standard. The command economy, which Venezuela uses today, is heavily based on a more communist society as production, investment, prices, and incomes are determined by a central government. By switching to a mixed economy, they would adapt similar incentives to countries such as Iceland, The United Kingdom and Sweden (Barnier, 2020). This form of economy embraces both capitalism and socialism, providing Venezuelans with economic freedom in terms of capital use, but it also allows for government intervention for the public good. Additionally, it is imperative that Venezuela sets its currency, Bolivars, to the gold standard, as for the past two decades, it has been backed by the country’s oil and mineral reserves, which have tanked due to the price of oil falling globally (World Integrated Trade Solution, 2021). The gold standard has been adopted by a plethora of global superpowers such as the United Kingdom in 1821, and later Germany, France, and the United States (Reeves, 2021). It is a trustworthy monetary system within which the economy is based upon a fixed quantity of gold (Reeves, 2021).

The second stage will be to regain control over the oil industry. This process will begin through passing a bill that will allow Venezuelan oil to be sold without U.S. sanctions placed on them. On January 28th, U.S. sanctions were placed on many Venezuelan exports especially oil to make sure that President Maduro and his associates can not profit from business transactions that would enable the regime's criminal activity, and to ultimately pressure Maduro into leaving office (Kirschner, 2021). Since the sanctions were placed on PDVSA, which stands for Petróleos de Venezuela, S.A. or, Petroleum of Venezuela, which is the Venezuelan state-owned oil and natural gas company, President Maduro can pass a bill to end state-owned PDVSA. In doing so, he would bypass the sanctions placed on Venezuelan state-owned oil and allow privately owned companies to make profits from international buyers, thus creating change in the stale and collapsing economic system.

This law would have a significant impact on foreign investment, as the United States placed sanctions only forbid work directly with Maduro’s presidency, however it does not preside over other companies (Yahoo Finance, 2021). Independent companies in Venezuela could see great success under this deal, as international oil companies build partnerships with non-PDVSA companies, the country can profit off of capitalistic gain. The government must also begin taking advantage of the oil monoculture and export its revenue to countries that want oil, such as Russia, China, and Canada (Yahoo Finance, 2021).

The third stage will begin the subsidization of Venezuela’s agricultural sector. Since agriculture has long been a dilapidated sector of Venezuela’s economy, it is imperative that such
an industry is prioritized in order to reform the national financial system and lift residents out of poverty and more importantly, food insecurity. Venezuela has already taken some measures to resolve the hunger crisis such as implementing The Local Committees for Supply and Production or CLAP, which are food distribution committees promoted by the Venezuelan government in which the communities supply and distribute priority foods themselves from door-to-door (U.S Department of the Treasury, 2022). Governmental incentives such as CLAP need to be further supported through continued government and international support, as CLAP needs to be recognized for the groundwork initiatives that it has accomplished thus far.

However, in order for Venezuela to lift its socioeconomic status, agriculture needs to become a true priority, and financially backing the industry will achieve this. This agenda could be funded through a loan from the IMF, which is likely to approve such a request based on their past interactions with Venezuela, and money from investments though the monetiztizations of the petroleum reserves. Over the longer run, Maduro also must develop Venezuelan agriculture, along the same lines that the United States protected and developed its agriculture sector. The success of farming in America came from the New Deal legislation of the 1930s, which provided rural extension services, credit, marketing organizations for crop purchase, and supply of mechanization (Garcia, 2021). This method supports the implementation of subsidizing of domestic farming.

For over two decades, the Venezuelan government has taken chances on its country, attempting to repair complex issues with effortless solutions, while their own people continue to starve. Now, more than ever, it is essential that they choose to take these actions and rebuild their country. It will not be easy, in the same way, that it is not easy to preserve the land beneath one’s self, but if the implementation of economic and industrial, and agricultural change is completed in a timely manner, with an even amount of attention given to all, the country will see brighter days. Today, 28.44 million people question whether they will be able to put dinner on their tables, but tomorrow’s fate is in the hands of the Venezuelan government.
References


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The agricultural area of Venezuela was adequate for livestock production.

Some 88.8% of the population live in rural areas.

For example, if the U.S. exited the system in 1973.

In the long term, according to our econometric models.

In Venezuela, the partner share of 5.02%.

Can Venezuela’s Oil Industry Come Back From The Dead? Yahoo Finance Venezuela.