



Maduro acknowledges his socialist delusions

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Venezuelan leader Nicolas Maduro's quiet move to restore elements of free enterprise to his nation's economy should serve as a cautionary tale for anyone listening to Sen. Bernie Sanders' siren song of socialism in the Democratic primaries or who is still tempted by promises of socialist bliss.

Maduro's move represents a desperate attempt to dampen public outrage, and thus maintain his grip on power, in the midst of an astonishing economic collapse that economists view as the world's worst in decades in the absence of war.

Venezuela's tale is hardly a unique one. In recent decades, socialist nations across the world have scrapped their doctrinaire visions and incorporated elements of free enterprise to rescue their ailing economies. Perhaps most striking, a post-Mao China opted for a more market-based economy as Deng Xiaoping conceded that his nation could not otherwise compete with the United States.

Maduro's bow to reality is particularly instructive. It comes a decade after the Great Recession and financial collapse of 2008 and 2009 shook confidence in capitalism and emboldened the proponents of socialism and other alternative models. With that crisis long over, however, capitalism has again proved its mettle by nourishing more prosperity and higher living standards while Venezuela's economy continues shrinking at an alarming rate.

"The fight for survival has forced the [Venezuelan] government to become pragmatic," Ramiro Molina, an economist at Caracas' Andres Bello Catholic University, told the *New York Times*. "Only the narrative is still socialist."

It is a striking departure for Maduro, for he was the like-minded successor to Hugo Chavez, a hard-core socialist who sought to ignite a "Bolivarian revolution" across the region until his death in 2013.

Chavez was elected in 1998 on a wave of public revulsion at government corruption. He quickly nationalized industries, seized farms and businesses, pushed through constitutional changes to enhance his power, and, as an emboldened and petty despot, cracked down on dissent of any kind.

Though he first nourished populist support by using oil revenues to fund programs for the poor, the socialist vision that drove his economic mismanagement led to soaring inflation, exploding public debt, and shortages of such necessities as food, medicine, water, and electricity. Maduro, who took over after Chavez died, doubled down on that socialist vision, exacerbating the economic problems.

Today, Venezuela is a basket case of epic proportions. Its economy has shrunk by more than two thirds since 2013; incomes have fallen to their lowest levels in decades; hyperinflation wreaks havoc with savings and purchasing; and people scavenge for food and collect firewood to survive.

While food, medicine, water, and gas remain in short supply across the country, public services have collapsed; gangs control entire towns; looters ransack businesses; spotty electricity leaves towns without banking, cellphone, and other services for days at a time; store owners try to stay in business by repairing power lines on their own; butchers sell offal, fat shavings, and calves' hooves because consumers can't afford meat; and at least three million Venezuelans have fled the country.

After years of nationalizing businesses and setting consumer prices, however, Maduro is now changing course while retaining his socialist rhetoric. To encourage business activity, he's cutting red tape. With the nation's currency (the bolivar) essentially worthless, he's welcoming dollars back into currency.

Nowhere are his efforts more striking than in the oil sector, long considered the jewel of Venezuela's economy, generating the revenues that, in good times, could finance public needs. Private companies are now essentially running the oil business, from pumping the oil to paying the workers.

Maduro's move toward free enterprise is having an impact, stabilizing oil exports, bringing the city of Caracas back to life, and giving the nation's upper crust new opportunities to stash and spend money. Whether that will be enough for him to retain power, however, is an open question.

Maduro's outreach to private oil companies has raised complicated issues for President Donald Trump, who sanctioned Venezuela's state-owned oil company — Petroleos de Venezuela, S.A., or Pdvsa — in January of 2019 after Maduro declared himself the victor in an election that many viewed as rigged.

Washington quickly recognized opposition leader Juan Guaido as the nation's legitimate ruler, called for Maduro's ouster, and imposed sanctions to weaken his grip on power. Nevertheless, the U.S. oil giant Chevron is among the oil companies (which include Russia's state-run Rosneft as well as European and Chinese companies) that are reviving Venezuela's oil sector.

While expressing concern about Chevron's activities, the administration has given the company exemptions from sanctions, recognizing that Chevron's exit would simply leave the playing field to non-U.S. companies.

As it mulls its next move, Washington should do nothing to discourage Maduro's dalliance with free enterprise. That's because a world of freer economies offers more U.S. trade and investment opportunities, creating more prosperity back home.

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