

## [Tracking the disaster that is Venezuela's economy](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 12 November 2013



There are various ways you could try to measure how badly a government is cocking up an economy. One favourite example is when Zimbabwe stopped printing its own money as they no longer had sufficient hard currency to be able to purchase the ink to print the banknotes. In Venezuela we have for months been regaled with stories about how the shops are out of loo roll (even, with a triumphant announcement from the State that it had confiscated an entire 2,500 rolls of the stuff that were being held by a "speculator") or milk and other basic necessities. This all coming about of course by the government attempting to control prices (Ed Miliband might want to take note here).

It is entirely possible to think that the poor should have better access to various goods and that government ought to do something about it. But the control of prices is the wrong way to do it: if you set them lower than the market rate then shortages will develop, higher than a surplus will flood the market and if at market prices then what's the damn point? The answer is, of course, if you wish for the poor to have better access then you give more money to those you consider to be poor, not screw with the market itself.

But back to our various methods by which we might measure that government is screwing up [an economy](#) [3]:

President Nicolas Maduro's government announced arrests of both store managers and looters on Sunday as part of what it calls an "economic war" in Venezuela between the socialist state and unscrupulous businessmen. In a major pre-Christmas campaign reminiscent of the late President Hugo Chavez's dramatic style, Maduro has sent soldiers to "occupy" one chain of electronics stores and inspectors into scores of others to check for price-gouging. Thousands of Venezuelans have been flocking to electronics stores, hoping to take advantage of new "fair prices" the government is imposing, sometimes half the previous cost.

Well, yes, that would be a good sign. Arresting the shop keepers would be high on my list of indications that something is going awry.

In a speech to the nation late on Sunday, Maduro promised there would be no let-up in what he called an "economic offensive" against Venezuela's "bourgeois parasites." Maduro said he would use decree powers that Congress is expected to grant him this week to set legal limits on businesses' profit-margins. "Zero tolerance with speculators," he thundered, flanked by most of his Cabinet and quoting biblical, Koranic and Taoist exhortations against usury and materialism.

Price fixing again, another sign that not all is going to go well.

Among the raft of new government measures announced in the last few days, Venezuela's telecoms regulator Conatel said at the weekend it would require eight local internet providers to block websites publishing black market currency prices.

But that's rather the killer blow to me. Once a government starts to insist that the citizenry should have no access to the truth then the whole system is going to spiral down in a welter of its own lies and ignorance.

Adam Smith did point out that there's a great deal of ruin in a nation: but it's not an unlimited ability to survive economic stupidity, only a large one.

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