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Chavez's Inflation Bites His Successor

By: Mary O'Grady

Hyperinflation and political witch hunts seem to go together. Just ask the Venezuelan opposition.

With the bolivar collapsing and prices spiraling higher, the government alleged this month that its No. 1 adversary, former presidential candidate Henrique Capriles, is linked to a prostitution ring that was using minors in the state of Miranda, where he is governor.

Lest that not be enough to turn Venezuela's socially conservative working-classes against the popular Mr. Capriles, a leading congressman from the ruling United Socialist Party of Venezuela (PSUV) used gutter talk on the floor of the national assembly to accuse the governor of homosexuality.

Does the collapsing "bolivar fuerte" really make opposition politicians more sinful? Don't suppose for a minute that this mudslinging is merely about destroying Mr. Capriles. The ruling chavistas, led by President Nicolás Maduro, need a circus because there is no bread—and that's not a metaphor. At times in Venezuela, there really is no bread. Earlier this year there was, for a time, no toilet paper. Mr. Maduro knows he is in trouble. The "proof" of the allegations against Mr. Capriles's chief of staff, who is accused of running the sex ring, cannot be shown to the public, according to Mr. Maduro. He says that the "videos and photos" that the government confiscated in a raid are of "un-publishable orgies." Venezuelans will have to use their imaginations while trusting the courts—now controlled by the military government—and the government itself to get to the bottom of it all. Developments will be reported on television, which is almost exclusively state-controlled and where most Venezuelans get their news.

Mr. Capriles has said that the allegations are an attempt to distract the population from the real problems in the country. The charges are certainly well timed. An official 46% devaluation in February took the bolivar-to-dollar exchange rate to 6.3 from 4.3. Those

who actually need dollars are unlikely to get them at that rate. Instead they have to go to the black market, where one greenback costs as much as 38 bolivars, up from 22 in March.

The government forecasts that inflation will hit 40% this year. But Johns Hopkins University economist Steve Hanke, director of the Cato Institute's Troubled Currency Project, says that the soaring cost for the bolivar in the market translates into an implied annual inflation rate of more than 250%.

Earlier this month Caracas-based economist José Manuel Puente described the perfect storm to the Los Angeles Times this way: "The slowdown in economic growth, high and persistent inflation and high levels of scarcities [of basic foodstuffs] will combine to make Venezuela's the worst-performing economy on the continent, despite the extraordinary oil boom that the country is still benefiting from."

A mid-July survey by the Venezuelan polling company IVAD, posted on the website lapatilla.com, suggests Mr. Maduro is having no luck dodging the blame like his predecessor Hugo Chávez did so deftly. Asked what are the principal problems facing the country, almost 82% of respondents named crime. More than 53% also pointed to shortages. The scarcity is caused by the price controls that the government is using to try to hold down inflation. Those controls could explain why only 31% named "the high cost of living."

But more than 65% said the economic situation was worse or much worse than one year ago, and more than half blamed either the national government or Mr. Maduro for the country's problems.

Because the allegations against Mr. Capriles by the PSUV included a pejorative term for a homosexual, gay-rights groups took offense. But Venezuela's homosexuals needn't feel special. Hate speech as a political tool has been common practice in Venezuela's military government for more than a decade. Catholics, Jews, entrepreneurs and the bourgeoisie have all been on the receiving end.

Mr. Maduro, coached as he is by Fidel Castro, immediately recognized that gay rights are a priority for many members of the international left. So in the aftermath of the impolitic comments by his colleague in Congress, he quickly seized a gay-pride flag to wave while he continued his verbal assaults against Mr. Capriles.

Political nonconformists regularly singled out by chavista politicians for ridicule and acrimony won't get off so easily. This week Mr. Maduro is expected to try again to force through congress an "enabling law" that will allow him to rule by decree.

Opposition Congressman Richard Mardo has already been stripped of his congressional immunity and is slated for trial on corruption charges. Other opponents are being investigated. The Venezuelan daily El Nacional reported this month that more than one

third of congressional sessions in the first half of the year were spent "harassing the opposition," including with physical violence.

The goal is to drum up mass hysteria against opponents. Apparently Mr. Maduro has decided that if inflation cannot be contained, Mr. Capriles and his allies will be.

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