

## Venezuela, Home of Gold and Famine

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April 13, 2018

Venezuela has become known for its shortages. Toilet paper is a luxury and bread almost impossible to come by. Amid the misery, however, Venezuela is well-stocked in military might, armed gangs, and, yes, gold. There's plenty of gold in Venezuela, a country where people are dying daily from hunger and disease. The question is, who is benefitting from this elusive element?

In the city of El Callao, military convoys have become the norm. Soldiers wander the streets with their faces covered and rifles ready. What's so special about the once prosperous coastal enclave of El Callao? There are massive amounts of gold to be mined in the region. The government calls it the Arco Minero del Orinoco.

The gold is not being mined for the benefit of the Venezuelan people. President Nicolas Maduro has permitted the military access to El Callao and its riches. As any dictator is well aware, having the military on your side during troubled times is essential. Soldiers have been raiding neighborhoods and fighting gang lords to get at the gold. It's meant to be their reward for keeping the people in check and the unpopular president in power.

These soldiers aren't merely strutting through the streets. They have confiscated weapons, set fire to vehicles and killed 18 civilians. The army is in control of El Callao. This is where force reigns and civilians cower in fear.

Facing an upcoming election with very little public support, President Maduro has turned the country's 160,000-strong military force loose to ensure its loyalty. Soldiers are marching through the streets, and they are now supplanting company leaders, who have been imprisoned. Promotion within the army is rampant, with 1,300 generals and admirals overseeing the ranks. No part of the Venezuelan economy is safe from the military, who also control the nation's food supply.

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With dwindling oil revenue, El Callao's gold mines have become critical to Maduro. There as much as 8,000 tons of gold within its deposits, Eight thousand tons of gold were mined in 2017. Maduro has plans to raise that number to 24 tons in 2018. With the country's GDP plummeting 15 percent in 2017 and falling by 50 percent in five years, the gold is desperately needed.

Former President Hugo Chavez nationalized the gold mines in 2011. Gangs quickly took charge, and the mines have been mismanaged ever since. In 2016, a mere 1 ton of gold was produced. That's when Maduro brought in a gang of his own, the military, with wide-ranging powers.

El Callao now ranks as the most violent city in Venezuela. The army controls commerce, as well as much-needed gasoline. Along the 120-mile stretch from Puerto Ordaz to El Callao, military checkpoints are a common sight.

On February 10<sup>th</sup>, the military's clash with miners left 18 civilians dead. The government claims the miners were resisting authority. The Ministry of Defense has no comment.

When the gold is mined, the central bank purchases it, and gold processors melt it into gold bars, all under the auspices of the soldiers. Then, under military guard, the gold is taken to Caracas, perhaps to Maduro himself, who has plans for a gold-backed cryptocurrency.

Venezuela's current regime belies its rich history of economic freedom. But democracy has gradually been eroded by socialism, and the Venezuelan people are suffering the consequences, while those in charge enjoy the good life.

When socialism took hold under former President Chavez, it was declared that socialism had finally been implemented correctly. Since Chavez, the country has been on a steep downward spiral, with unprecedented national debts, hunger, and poverty spreading through the country. Venezuelans have figured out that socialism cannot be done right. Ever.

The history of Venezuela's economic freedom began in 1914 and its abundance of oil. Privately-owned oil wells brought low tax rates and a good living to most Venezuelans. For the most part, the government was totalitarian but stayed out of economic matters.

All that abundance was too much for the government to resist. In 1950, once prosperous companies were nationalized, as were the banks. In 1958, Venezuela enjoyed its first democratically-elected president, Rómulo Betancourt, thus overthrowing the dictatorships. Betancourt was a communist. Following the election, he followed the communist rulebook by implementing controls over the economy. Private property was frowned upon.

Enter Hugo Chavez, who was elected president in 1998. He promised even more radical socialistic changes as he continued to weaken the hold on private property. Chavez perfectly set the stage for current President Nicolas Maduro.

The result of Venezuela's experiment with socialism has led to hyperinflation, starvation, long queues for all necessities, and out-of-control prices. What little there is to be had, no one can afford. During the 1980s a college professor had to work 15 minutes to afford a kilo of beef. In 2017, the same professor needs to work 18 hours for the same kilo.

Steve Hanke, Professor of Applied Economics at Johns Hopkins University, has stated, “***At present, Venezuela’s annual inflation rate exceeds 10,000%, the world’s highest. Venezuela is in a death spiral.***” Professor Hanke is also a Senior Fellow at the Cato Institute and has served as an adviser to Venezuelan President Rafael Caldera. He has written extensively on the privatization of industry, especially in emerging nations.

Some of Venezuela’s young are starting to revolt. Calling themselves “la Resistencia,” they are attempting to resist a tyrannical government; unfortunately, they are frequently killed by government forces.

Desperate Venezuelans are leaving the country to find work. Jovito Gutierrez Yance joined others in a wooden boat to travel to Curacao to provide for his family. The boat capsized, and only a handful of bodies were recovered. His wife, Genesis, can only wait, her dreams in shatters. She is one of many without any idea of where her next meal will come from as the government continues to crack down on any opposition.

Socialism has turned Venezuela into a country with an abundance of gold, but without food to feed its citizens. Once again, socialism has shown that it can only lead to failure and misery.