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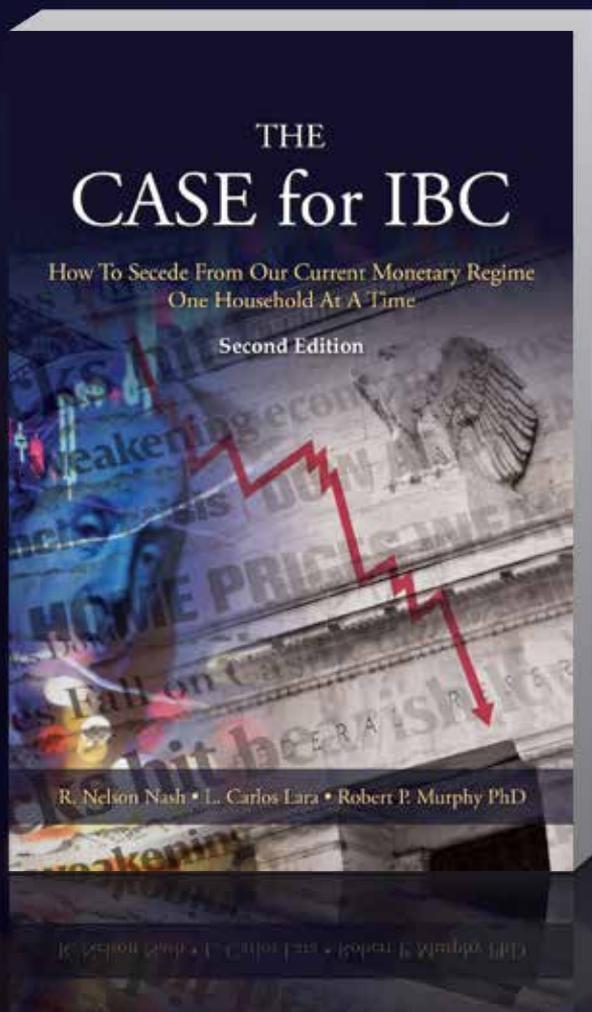
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Venezuela: 60 Years of Socialism

Interview with Rafael Acevedo



Rafael Acevedo is a Research Associate in the Free Market Institute at Texas Tech University, and the Founder/Director of Econintech. He was previously an Associate Professor in a public university in Venezuela with more than 12 years of teaching and researching experience. Acevedo has more than 15 articles published in journals, a book he edited entitled, “Prosperity & Liberty: What Venezuela needs” in 2019, and a book he co-edited entitled, “Causas y Causantes del desastre económico en Venezuela: Un homenaje a Hugo Faría” in 2017.

Note: The economists and financial professionals interviewed in the LMR are given the freedom to express their views, without necessarily implying endorsement from the editors.

Lara-Murphy Report: How did you discover Austrian economics?

Rafael Acevedo: I would say by accident or better by luck. I studied for my Masters in Economics in a mainstream school; indeed, it is the school with the most mathematical approach in Venezuela. Then you can image that given my undergraduate degree is not in Economics—it is Public Accountancy—sometimes I thought I were in a statistics or even math program. Of course, I do not regret studying there, it was the most grateful and challenging—even funny—experience: You can image a 28-year-old CPA learning

to solve derivations, optimization, and other more complex problems when never in his life had developed even algebra skills. All my professors were very close to the Chicago School or to Keynesian ideas, so they were very strict on the math approach. When I was writing my master thesis, I had to find a lot of information related to freedom. My thesis was about how social, political, and judicial factors influence private investment in Latin American countries, it was a common data panel experiment but at that point, it was very “innovative” in my school.

I used some indexes from the Freedom

House (FH) as civil liberties and political rights, and from the Heritage Foundation (HF) I used the corruption index to build the social-political factor. I focused on the judicial factor in the capacity of countries to have a fair judicial system that protects and support private property rights, and used the Private Property Rights of the HF. At that moment the Economic Freedom of the World Index was not known in Venezuela, otherwise I would have used it.

Then, I was approaching my research on freedom, and during my literature review, I found some of Hayek's books, but as I was focused "just on empirical" literature, I left Hayek just to read for curiosity. Furthermore, unbelievably Hayek in Venezuelan universities is not considered an economist but a philosopher as is Mises. Surely, you are thinking that nobody talks about Rothbard, Böhm-Bawerk, or Bastiat in the economic schools in Venezuela and you're right. You have to consider that Venezuela's economic schools are Keynesians or Marxists, and then honestly speaking I was lucky because some of my professors were close to the Chicago School.

After I finished my Masters studies, I returned to Hayek's books—maybe in 2008—but I had to stop again because I was in my PhD in Management studies and my thesis was on Managerial Efficiency. After I finished my PhD in 2013, I started to research deeply on Hayek. Then, I found Mises, and finally the Mises Institute's website. On Mises's website I found all those excellent Austrian Economics Scholars. Let me tell you for the first time this: I think since 2016—after I



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found the Spanish edition—I started to use some chapters of Murphy's book *Lessons for the Young Economist* as mandatory readings in the courses I taught in a University in Venezuela.

In 2016 a friend from Venezuela and I applied for the Mises University. We were admitted but for financial reasons we couldn't attend it that year and finally we could go in 2017. After MisesU 2017, I have attended other Mises Institute's events. I have shown the influence of the Austrian School in my work as a professor in Venezuela, for example, my last book of the main course I taught there is titled: *Managerial & Costs Accountancy: An Approach to the Austrian School*. It is just an e-book, a guide of the course, but I included the link to some chapters of books like Murphy's, *Profit & Loss* by Mises, and some articles posted in the Mises's Spanish website—Garrison, Hazlitt, Per Bylund, Rothbard, Mueller,

etc...— as mandatory readings.

In brief, I could say that my discovery of the Austrian School was maybe 25% luck, and 75% thanks to the Mises Institute. Personally, I owe a lot to the Mises Institute for my personal discovery of the Austrian School and the help and support I have received from it.

LMR: For the last two years, you and some colleagues have given a presentation at Mises University (the annual event for students held by the Mises Institute) on the situation in Venezuela. Can you summarize for our readers just how bad the economic plight is for the average person?

RA: Venezuela is a country where in this moment, everybody is suffering the consequences of sixty years of socialism, and the last twenty of them in its harder form. I al-



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ways say that I can explain in two views the situation of Venezuela, one the “empirical” and second the “first-hand” life-experience.

Using some statistics, I can illustrate the current situation in Venezuela saying that it is a country with a great problem. We have had five consecutive years of negative growth, in 2017 the real GDP diminished by 14% from 2016, which decreased 16.5% from 2015 that decreased 6.5% from 2014... In addition, we are considered a growth disaster in the economic literature from 1960 to 1998, with only Venezuela and Nicaragua in the Americas having negative growth during that period. So, you have a country in bankruptcy. The indexes such as infant and maternity mortality have surpassed historical highs. The scarcity was around 80% in 2017-2018, now you can find some food and medicines but prices are dollarized with an exorbitant difference compared to international prices. For example, the same shampoo that you can buy here (in the U.S.) in Walmart for 85 cents you will find it in Venezuela for a price of around \$5 or more, in a country where the minimum wage is around \$4 monthly.

Venezuela has hyperinflation. Professor Hanke accurately measures daily the annual basis inflation, in his middle August (2019) rank, Venezuela had the highest of the world, more than 28,000 percent. Then this makes it impossible that any average person can survive there if he or she doesn't have financial support from relatives or friends out of Venezuela. The average Venezuelan must spend all his monthly income to buy maybe two or three days' worth of the minimum protein and

calories required to support a human body.

In my first-hand life experience, I can say that this situation is the worst and saddest any people can suffer. Socialism destroyed everything, everywhere it is implemented. You will see how your efforts to improve or even keep an acceptable standard of life are worthless. Suddenly, you will have no hopes nor future in your own country.

In my case, I had to bear a difficult change. My parents are both professors—emeritus since the 1990s—from a university and that meant in the '80s a very good standard of living. Then I went from being a son of the professional middle class who had the opportunity to travel, and enjoy his childhood, to a father that could not buy a pair of shoes for his children because if he bought shoes he could not buy food. I—as all Venezuelan parents—tried to do my best to provide my children the best I could, sometimes I believed they did not understand the real situation around them but I was wrong, all Venezuelan children understand what misery is. Even my 6-year-old son, one of those “down-days” that all immigrants have, has said to me, “Dad, I miss a lot my grandparents,” and I say to him joking, “Okay let’s return to Venezuela.” Immediately he opened his eyes wide and said to me, “No... they should come here to eat and have what we hadn’t there,” and for me that was heartbreaking. With this, what I try to say is that the economic plight—the result of socialism—has not only destroyed the economy and politics in Venezuela but also destroyed the childhood, the best years of professionals, and the retirement years of our elderly.



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LMR: Especially with the Trump Administration tightening the screws, and some “neoconservative” voices openly calling for military intervention, there is a rising resistance among leftist/progressive thinkers to argue that the hyperinflation and shortages in Venezuela are not the result of awful domestic policies (by the Chávez and Maduro regimes), but instead are the result of foreign imperialism. What do you think of these arguments?

RA: Those arguments are not consistent with the reality. The bulk of Venezuela’s economy depends on oil prices. For example, from 2004 to 2008, Venezuela had a growth of its real GDP of approximately 10.42% annual,



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that is an extraordinary economic growth but the great problem was that it was squandered through socialist policies. In that period was when you could hear [Joseph] Stiglitz, [Bernie] Sanders, Pablo Iglesias, and many other pundits and politicians praising Chavez’s socialism. For those people that was the “good socialism” but what they never say is that Venezuela had an unreal and short-run welfare.

One of the great problems in Venezuela is that the State is the owner of the commanding heights, mainly the oil, giving it a fiscal independency of citizens and making difficult to maintain checks and balances. Then, Chávez had no problems to do whatever he wanted.

He used oil income to finance and export the “Bolivarian Revolution.” He paid (in USD equivalent) \$500 million to provide heating in poor communities in 16 states here in the USA, \$5 million to cooperative schools and river cleaning in the South Bronx, \$32 million annual to subsidize diesel for London public transportation, while Danny Glover also had his part of around \$18 million.

Another highly financed field was to strengthen Chávez’s “leadership.” Cuba, El Salvador, Nicaragua, and many other Caribbean countries received preferential prices and payment conditions on oil. In addition, he financed leftist politicians such as Evo Morales, Correa, and Kirchner. The governmental expenditures rose from 29.5% of GDP to 40% of GDP.

In addition to those “gifts,” you have to consider the exorbitant corruption. In Venezuela you don’t talk about hundreds of thousands dollars you talk about billions in corruption. Take the example of Derwick Associates—related to Henry Ramos Allup, former president of the National Assembly and chair of the Social Democrat party in Venezuela. That enterprise overcharged more than \$1 billion. Rafael Ramírez, former president of PDVSA (the state-owned oil company), Luisa Ortega (former general prosecutor), Andrade (former Chavez bodyguard), and many others were involved in corruption and laundered money.

Then, Venezuela had great wealth squandered in gifts and corruption, and never invested in its business. That was the problem in Venezuela. Chávez never invested in PD-

VSA. The peak in oil prices was what supported those great incomes but the production diminished because they did not invest even in maintenance routines. Since 1998 to 2018 Venezuela's oil production decreased at a 5% annual rate.

The current situation is not because President Trump imposed sanctions on a drug-trafficking and terrorist regime. Venezuelan Social Democrats sowed the seeds of this crisis from sixty years ago when they started to apply all those socialist policies that now young Americans are hearing—the “great” welfare state. In addition, Chávez arrived to power twenty years ago and applied a more radical and harsher socialism for a few years fueled with those high oil prices. Nevertheless, when oil prices plummeted, the crisis explodes.

I know that there are some “statistically beautiful” papers, for example, Weisbrot and Sachs, 2019, arguing that President Trump's 2017 sanctions worsened the situation but what they state is not true. Even the group of Keynesian Venezuelan economists from the Center of International Development in Harvard argued against the conclusions of that paper. The reality is that if people want to find a country that bears part of the guilt of the current crisis they should look at Cuba and its interventionist policies in Venezuela, not to the U.S. and its sanctions against a drug-trafficking and terrorist regime.

LMR: We are curious about the state of economic knowledge in other countries. Do the actual economists in Venezuela (and

South America more generally) understand that hyperinflation is the result of the printing press—rather than, say, falling oil prices? Or do even your professional peers not understand such basic matters?

RA: Remember that Venezuela's economic schools are Keynesians or Marxists, so they do not have a real understanding of the hyperinflation. The most desired goal of Venezuelan economists is being Ministers of Central Planning, Minister of Finance, or President of the Central Bank. They even long to be social-media influencers.

About this point it is important to know that from 1998 to 2013, the government increased more than 12,130% the money supply in the economy. More recently, just during 2018 the increment in the money supply surpassed



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3,000%. Nevertheless, those pundits still believe that if they rule the country's economy they will recover the national currency. They argue that monetary policies are fundamental to be a great country. That with "fiscal and monetary" discipline they will fix all the mess.

Also you have to consider that economists—at least Venezuelans—related in politics are just Keynesians, and honestly speaking, we have very recognized economists and this promotes that people want to give them a "blank check." For example, the current Director of the Center of International Development of Harvard, Ricardo Hausmann is Venezuelan, but his recipe for overcoming the crisis is a bunch of Keynesian strategies that he and others of his communist colleagues failed applying in the early 1990s. Sadly, I dare to say that his plan will be applied, as all politicians even those self-called the "right or center-right wing" trust in Hausmann's plan.

Then, they think that it is possible to eliminate the hyperinflation but keep the State's monetary monopoly. None of them talks about dollarization, or better the elimination of legal tender laws, insisting on 100% reserves, or eliminating the "lender of last resort," and they talk even less about the gold standard.

LMR: Finally, we are aware that you are a Founder/Director of "Econintech." What is this organization and what are you hoping to accomplish with it?

RA: Econintech is a free-market oriented think tank. In 2015, with other colleagues, I

founded this organization to formally give the opportunity to people of the Center-West of Venezuela to know about economic, entrepreneurship, investment, innovation, and technology—with those words we build the name Econintech. We are creating awareness in society to demand real freedom in Venezuela and encourage them to become entrepreneurs as the best way to alleviate poverty.

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We hold lecture series, workshops, reading groups, and other educational activities using Austrian Economics materials. We promote what students will not find in their universities and strengthen the free-market movement in Venezuela. We are a very small think tank, but our "statistics" are outstanding, and we are growing there. We registered Econintech in the U.S. as a 501(c)(3) to promote it among Venezuelan immigrants but it has been a hard task, almost impossible.

Honestly speaking, Venezuela lacks this kind of institution. In all countries, you could find perhaps two or three "free market" institutions. The difference with Econintech is



that we are not worried to show our institute as an “influencer of politicians”—I know that this could be profitable when you are doing fundraising but that is not our purpose; we prefer to “educate” society through our educational activities and research. I always remember Econintech’s Senior Fellow & Policies Consultant Hugo Fariá’s words: “Rafael, you should always say that the difference of Econintech versus other Venezuelan think tanks is that we were founded by real free-market academics and researchers without businessmen—and we need some of them. Other institutes were founded by businessmen with a few academicians—and they need a lot of them.” We hope to accomplish our vision, a free society and a democracy that

respects natural rights in Venezuela, and we are educating people for that.

Nevertheless, as I moved to the U.S. in March 2018, and from September of that year, I have been in the Free Market Institute at Texas Tech, my participation in Econintech’s activities in Venezuela has decreased. At this moment, I am in charge of Econintech’s fundraising, and some managerial and strategic plan to keep its growth. Perhaps if, after my visiting at FMI-TTU, I have been not able to overcome the obstacle of not having a U.S. PhD to get an academic job, I would hope to accomplish the goal of consolidating Econintech in the U.S. among Latin American immigrants and work in it.





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