

Labour's silence on Venezuela

The sound of silence can be deafening. The Labour leadership has gone quiet when it comes to praising the Chavistas of Venezuela, who they used to tell us had got it right. The Chavez model of giving more and more to the poor was popular and worked for a bit, until the state ran out of money to give. Under Mr Maduro they have resorted to the printing presses to increase benefits, with the result that they have triggered a massive inflation and a collapse of the currency. Venezuela is very dependent on imports for food, medicines and other essentials. It now suffers chronic shortages of basic goods owing to the shortage of hard currency to buy what is needed. It is often the poor who suffer most from the shortages, as they cannot afford the very high black market prices that are the alternative.

Venezuela was once a rich country, and should be so again given its huge oil reserves. Mr Chavez purged the state oil company of skilled managers and executives, replacing them with his supporters. He took large sums out of the state oil company revenues for social purposes, leaving the business starved of cash and talent to maintain and develop the assets. When the lower oil price hit the company was already struggling. Venezuela was 95% dependent on oil for its export revenues, leaving it badly stretched when oil output and the value of the turnover fell.

Like many such regimes the Venezuelan government blames everyone but itself for its plight. It blames the USA, who under President Obama imposed sanctions on the country and saw it as a threat to US policy. It blames the Opposition, who have at times pursued their cause with violence though they would say it is the regime's friends amongst the security forces and colectivos who drag them into fights. It blames the rich for pre-empting too much of the economic activity, whilst often seeking to enrich its own supporters. It blames private sector companies, alleging they hoard goods to create scarcity and higher prices.

The government thinks the answer is political. They see the way forward as the elimination of opposition. They have arrested two of the Opposition leaders. They are seeking ways to shut down or undermine the Opposition led National Assembly. They have elected a Constituent Assembly against the wishes of the Opposition to draw up changes to the constitution, which many suspect will be used as a means of delaying the next Presidential and other elections, and will be looking for ways to eclipse the opposition.

None of this will change the fundamental problems of too much created money chasing too few goods, and the lack of international confidence in the domestic Venezuelan currency. Venezuela's economic model is badly broken. They have demonstrated for all the world to see that printing too much money causes hyperinflation. Taxing and controlling the rich and the private sector too much stifles investment and drives it away from the country. Preferring unaccountable and absolute power over democratic and accountable power leads to violence, a bitterly divided society, and a rolling political crisis.

Does Labour still think this is the good alternative model we should be following?