



Episode 675: The Failure of Socialism in Venezuela

Guest: Mark Perry

WOODS: I've been having a lot of requests for a show on Venezuela. Then I saw your article, which we're linking to at TomWoods.com/675, "Venezuelan Apocalypse: Some Updates on the Epic Failure of Socialism in Oil-Rich Venezuela." You've got the goods on Venezuela and on the socialist policies there. You've got link after link after link, and then maybe my favorite part because I am at heart a very petty person, you've linked to two people who were lecturing us in 2013 about the great success of Venezuela and arguing that if only we hadn't been so ideologically blinded, we would have seen the merits of this great socialist experiment. I haven't followed up with David Sirota since this all exploded, but we'll get back to him a little bit later. Tell me what is happening in Venezuela as we speak.

PERRY: Well, you know, I wrote that post a few weeks ago, and it actually has continued to worsen there. There's reports now that two major airlines, international airlines, including Lufthansa, have pulled out of Venezuela. They're not going to be flying in or out of there anymore. There's dozens of U.S. companies that have either stopped operations there or are planning to stop operations there, including Coca Cola and other major U.S. companies that have operations there. The lines seem to get longer and longer. People are saying a seven-hour wait in line. There are shortages of medicine. The murder rate is almost the highest in the world.

So we just see this complete breakdown in not just the economy but in the fabric of their society, and you have to feel so sorry for them, and it all is because of socialism, and that's why I think we need to understand that that's the main reason that they're having so many problems there. And so when we hear people like, well, Sirota and Mark Weisbrot, and now even today with Bernie Sanders promoting socialism, I think we really have to look at Venezuela as the kind of prime example of what happens under socialism, and that's a real lesson I think for people in the United States, the younger people who are embracing Bernie Sanders and seem to be sympathetic towards socialism. Bernie Sanders has also not responded to what he thinks about the mess in Venezuela, so yeah, lots to talk about.

WOODS: And by the way, in case people are thinking Chavez's brand of socialism is so wildly different from what Bernie Sanders and his supporters are proposing that it's really not a valid comparison, I would point out that in this David Sirota piece from *Salon* a few years ago that I'll also link to on the show notes page, he openly says

that, you know, we need to really consider nationalization of major industries and banking and so on, instead of just the old traditional "regulate them" or "bail them out" or whatever; we need to think about nationalizing them. So they're actually considering things that are not a million miles remote from what Hugo Chavez actually implemented.

Now, let's go back here; I want to look at your piece. Before I do that, by the way, I do want to point out that socialists that either I have talked to or that my listeners have talked to have a talking point at the ready for this. And their talking point actually is precisely what you just said, that these companies are shutting down operations, and they're arguing that it's the capitalists who are creating this crisis because they're shutting down operations. They're putting Venezuela in a vice because they hate socialism, and by going on strike in effect in this way they're hitting back. So it's really the capitalists' fault; it has nothing to do with socialism. What would you say to that?

PERRY: I mean, capitalists want to make money wherever they can, and so they go to where they're treated well, and so I mean, if they can make a profit in Venezuela they'd want to be there, and they have been there when the economy was functioning more efficiently. So I mean, I think that's just kind of a really kind of unjustified explanation, that if they could make money there they'd be there, so the fact that they're leaving is because they can't make money there, because everything is such a mess and there are shortages of everything. So Coca Cola can't get the sugar they need to produce their beverages because that's all been nationalized, the sugarcane industry. So yeah, I mean, capitalists go where they can make money, and they just can't make money there in this kind of chaotic kind of economy that's in just this free fall and meltdown.

WOODS: Let me read a few items from your piece, just headlines that you collected in your piece, because I think they are a wonderful preface before I read a paragraph from David Sirota — David Sirota's a journalist, and he's a Democratic Party guy, and I pick on him because he's a really obnoxious left liberal. Now, I'll grant probably a lot of people think I'm an obnoxious libertarian; I get that. But I feel like there's something special about David Sirota.

So let's read a few of these headlines. "Hungry Venezuelans Hunt Dogs, Cats, and Pigeons as Food Runs Out: Economic Crisis and Food Shortages Lead to Looting and Hunting Stray Animals." Then there's a threat now from the Venezuelan president to seize factories that have stopped production and put their owners in jail. Then we have this headline: "Dying Infants and No Medicine: Inside Venezuela's Failing Hospitals." Then we have this: "Over the past decade, an estimated 13,000 physicians fled the country in search of greener pastures...[T]he physician father of a Venezuelan friend of mine has been reduced to accepting payment in cooking oil and other groceries. "We've got a hyperinflation situation; we've got no food on the shelves.

Now let me read you a paragraph from David Sirota from *Salon*. "Chavez became the bugaboo of American politics because his full-throated advocacy of socialism and redistributionism at once represented a fundamental critique of neoliberal economics"

— by the way, Mark, as you know, anytime anybody uses the word "neoliberal," you know they're full of it, because we never use that word — "and also delivered some indisputably positive results...Chavez racked up an economic record that a legacy-obsessed American president could only dream of achieving." So the extreme poverty rate fell, infant mortality fell, "college enrollment has more than doubled, millions of people have access to healthcare for the first time." So I read that after having read the other things I just read. What are your thoughts about all that?

PERRY: Well, I think that points out one of the main kind of failures of socialism, is that in the short run it appears to have these positive outcomes and benefits for the economy, but it's kind of like as Margaret Thatcher said, the famous quote that socialism fails because you eventually run out of other people's money. So I think when you seize all of the factories, and that's what Chavez did, and he kind of took over the oil production, in the short run you can get these positive economic gains, but more in the long run, you get the — in socialism, the flaws and inefficiencies of socialism show up in the long run. So I think that's why it always appeals to people, because when Bernie Sanders talks about free college for everybody, that sounds good, and it might be okay for the first couple years, but in the long run it's not going to work very well.

So I think that's why in *Salon*, Sirota was talking about some short-term gains that happened in the initial stages of the Chavez legacy, but then in the long run we see all of these failures. And he just wrote that three years ago. So it's not really gone downhill in the last three years because of these just inherent inefficiencies and flaws of the socialists and central planning, and so that's what we're seeing now, is it's coming home to roost here with these initial gains now turning into just a nightmare for people when you think of that kind of misery and poverty that they're going through and waiting in line, shortages of food, no medicine, the crime rates up, there's kidnapping. It's just a mess.

WOODS: He puts in his article, he says "the number of people eligible for public pensions has quadrupled," and that helps to remind us that even though we don't have outright socialism obviously in our own country, we still see the same kind of policies whereby you can try to put off the negative consequences of a policy and enjoy the immediate benefits. And so what we've seen, for example, at the state level in many cases is a lot of legislators have wanted to push bigger and better pensions for public employees, because that's a win-win for them, because on the one hand the public employees are happy and vote for those people, but secondly for those pensions you don't have to immediately raise taxes. Those pensions won't have to pay out until long after the legislators are retired. And so now we're actually getting to the point where the pensions are a big problem, and Sirota just completely cluelessly is celebrating this, whereas it is the typical example of exactly what you just said. Of course in short run if you steal stuff from people, some people will be enriched obviously. But you know what happens to that strategy in the long run.

PERRY: Well, that's right, and I think when we look at these problems in Venezuela, that kind of shows in the extreme case what really happens under socialism. But even when it's less extreme, like what you're talking about, public pensions, let's say, that

we still get — I think we can still recognize the flaws and deficiencies in our own country; it's just that in Venezuela it's taken to an extreme, but I think that kind of points out even in a less extreme case that when the government controls resources or controls the economy, that you're going to get these same kind of outcomes, maybe not just quite to the degree of Venezuela or maybe it's just going to take us longer for these flaws and deficiencies to surface, like what you're talking about with public pension funds. But socialism is always going to fail, whether it's in an extreme case or even a more limited case. And the other thing that we've learned from Venezuela is that when the government starts to intervene a little bit, then you create this kind of socialism on the installment plan, because they get involved in the economy, they distort the economy, and then that breeds government intervention in the future to try to fix what they messed up before, and then you just get more and more control. So I think we've also seen that lesson play out in Venezuela, is that socialism on the installment plan, starting at maybe an acceptable level but eventually going towards disaster and misery and poverty.

WOODS: I can't help but wonder the extent to which people are drawing the right conclusions from what's going on in Venezuela, and I'm talking about people who live in Venezuela. Because it looks to me like in Brazil, some people are drawing some of the correct conclusions. They are actually turning against the Left, and they may in fact want to roll back some of the state. I wonder, is there any way to know what the state of public opinion in Venezuela is? Could we find that out?

PERRY: I know that there's a big movement now against the current president, Maduro, and there's been some — you know, people have been signing a petition to either have him removed or there are now calls for some kind of recall election, so I think the public opinion in Venezuela is really turning against Maduro. I mean, who could support that kind of mess that they've got? So I don't know about all of the kind of political nuances, but I would think that people are saying he's not going to be able to serve out his term and there's going to have to be some kind of change in leadership.

And under his leadership, of course, there's all sorts of corruption, lots of stories. His nephews got arrested for cocaine smuggling, you know, something like — what do they say now? Something like \$300 billion has disappeared. So there's a big system of cronyism, so the people at the top are of course benefitting, but the average person is not, and so that's where I think the popular opinion in Venezuela is turning against Maduro, and so I think the average person, the average working person now has lost faith in the system. I mean, how can you blame them? So I think what we're going to see is an end to Maduro's time in office, and I think there's really kind of a momentum now moving against the current leadership there.

WOODS: Here's the concern that I would have: when I look at a case like Greece, you would think that given the fiasco there, people would revolt and they would say the problem of course is that we've had a government that has over-promised and that has put us in this impossible situation. But to the contrary, their complaint was that we need people who will in a less corrupt way maintain what we've come to expect,

which is all these various services and early retirement and everything else. It never occurred to them the solution is to not do those things, so my concern would be that in Venezuela they'd say we need a better guy to try and enforce the socialist policies of the recent past. You can't rule out that they'll draw that conclusion.

PERRY: Yeah, that's possible, though I mean, when you think of what they basically want is food on the shelves in the grocery store, so it's going to be very difficult for somebody to come in with the same type of cronyism and corrupt regime and be able to fix that problem. So it seems like the only way that their economy is going to recover is if they move more towards a market-based system away from socialism. And at least with Greece, as you mentioned, they had the European Union to kind of back them up and come in, but now they're saying in Venezuela they don't really have any partners down there. I mean, they're not really good friends with Colombia, and some of the other countries like Argentina and Chile and Brazil just aren't willing to come in and help them, and so they're really on their own now.

And so I think maybe that isolation will force the people there to realize their current regime really hasn't changed and they're going to have to go back to a market-based economy. I mean, their neighbor Colombia, their stock market I think was one of the best performing stock markets last year of the emerging markets, so I mean, there are examples around them of success. Argentina's doing pretty well and Chile, but I think that's maybe hopefully where they're going to look towards, their neighbors that are doing well, and realize it's their system that's failed him, and hopefully they're going to then be open to more of a market-based, kind of a capitalist-type economy.

WOODS: Mark, before we go on, I want to say something about your Carpe Diem blog that I really enjoy reading. This is how I — when I came across your Venezuela piece, I thought, finally I have somebody I can bring on to talk about this subject. Is there a shortcut way to get to that blog, because I mean, I don't want to have to send people to AEI.org/this/that — is there a quick way to get to that blog?

PERRY: Well, I think if you just do a Google search for "Carpe Diem blog" that will send people directly to my website, and then for people that want to read it on a regular basis, there's a way that you can subscribe to a daily email so that then you never really have to visit the website; you can just get a daily email with all the posts that have been published in the last 24 hours. So that would be the way people can find it: search for "Carpe Diem blog," and then if people want to read it on a regular basis they can get that daily feed burner subscription that's really convenient to then get a daily email with all my new posts.

WOODS: Right, so this is — now that I think about it, I don't always keep track of this, but are you the exclusive author of this blog?

PERRY: Yeah, I started it almost 10 years ago, and then I've been at AEI now for about six years, so I guess about three years ago they asked if they could host it. And so now it's hosted by AEI, but I'm still the editor and the creator and sole author, and you know, so I still get a lot of traffic. I think of all the traffic coming into AEI.org, my blog

gets some 30 or 40% of the page views. So I've got a big following out there, and so I'm happy that AEI's now hosting it and I can get people to stop by and subscribe to the daily email service if they want to.

WOODS: When you and I talked last, we were talking about the so-called gender wage gap, and it was such a great episode that when I put together a little eBook against Bernie Sanders, I used our transcript of our conversation as the chapter on the so-called gender wage gap. So I ended up releasing a free eBook called "Bernie Sanders is Wrong," and I bought the domain BernieisWrong.com to distribute it to the world. And that — actually, I think your chapter is the one that I find, in a way, the most intellectually satisfying, because it was such a brutal beat down of that idea of the gender wage gap. There's nothing left standing of it at all. It just doesn't exist. It's tremendous.

But let's get back to this. I'm interested in one of the items — this is from *Investors Business Daily* back in February this year when Venezuela was on the brink of economic collapse, but the real drama that we've been seeing hadn't quite occurred yet. And here's what I read: "Today Venezuela, with the world's largest oil reserves is, believe it or not, importing oil. It's a perfect illustration of Nobel-winning economist Milton Friedman's well known saying that if the Sahara took up socialism, there would soon be a shortage of sand." How do we account for — I have to confess I don't exactly know the mechanism by which Venezuela would have to turn to importing oil; do you?

PERRY: Well, you know, that's interesting. I'm not sure of all of the details, but I know that when you look at Venezuela's oil reserves, it's not just like that they're really large. They're really, really large. Compared to the United States — I think I had this in the post — they've got eight times more oil than the United States. When you think of all of the economic boom that we've had because of shale oil and gas, and then you think that here's Venezuela that has eight times that amount. So I think, you know, what happened is that when Chavez took over the domestic oil production and then continuing with Maduro, I think what happened is they put all their cronies in place of the oil production, so I think it just went [inaudible] very inefficient. They've been skimming money off the top. There's reports that there's \$300 billion missing. S

o I think it's just a mismanagement of that wonderful natural resource they have, and it's because, again, socialism is inefficient, just like farming in the Soviet Union or any kind of government control of production or resources; they're just very, very inefficient at it. So I think that's partly why they just aren't able to produce oil efficiently. Now they've got energy shortages and they have blackouts and so on, and so it must just be the case that they can't even produce enough of their own oil and maybe natural gas to kind of fuel their economy, and they're actually having to import oil from other countries. It's really another case of an example of how failed the socialism state is there, that they're having to import oil and they've got the world's largest reserves, more than Saudi Arabia, twice what Canada has, twice what Iran and Iraq has, eight times what the U.S. has, and yet they've got shortages where they have to import oil. It really I think illustrates again the complete failure of socialism.

WOODS: Well, I hadn't realized just how enormous their reserves were. I knew they were oil-rich, but I didn't know they were that oil-rich, so that makes the situation now all the more bizarre. Well, Mark, I appreciate your time today. This is a good basis outline of the situation for people, but I've got — I'm telling you, if you're listening to this you've got to go to TomWoods.com/675 and click on the link to this blog post, "Venezuelan Apocalypse." It is your one-stop shop for everything. Every thing that's gone wrong is linked to and documented in that particular post, and I bet it will make you — you'll be addicted to Mark Perry's content. It'll make you a regular reader of the Carpe Diem blog, and I'll also link to that blog in general at TomWoods.com/675. Mark, thanks again. I hope we can talk again soon.

PERRY: Any time, Tom; I'd be happy to come back.