

Socialism's apologists ignore Venezuela's human tragedy



Supporters of socialism have taken to suggesting that the human tragedy unfolding in Venezuela has nothing to do with socialism, rather it's the result of the dictatorships of former President Hugo Chavez and his successor Nicolas Maduro. In their view, dictatorships lead to the deprivation we're witnessing, not socialism. They're confusing types of government and economic theories.

Dictatorships or authoritarian regimes don't always lead to economic misery. We only have to look to Venezuela's south to see that's true. Chile was under a dictatorship for 17 years, yet President Pinochet pursued free market economic policies that, in spite of the (inexcusable) tyranny and unchecked power, lifted huge numbers of Chileans out of poverty, the exact opposite of what is taking place under Maduro.

Socialism does inevitably lead to what we're seeing in Venezuela. It is an

economic theory characterized by the government owning and operating the means of production. Chavez followed the playbook of a socialist economy to the letter. Socialism came first; his dictatorship came second. He referred to it as a socialist revolution and drew parallels with it to the liberation struggle of Simon Bolivar, even renaming the country the Bolivarian Republic of Venezuela. His political party was named the United Socialist Party of Venezuela. His government nationalized businesses, including foreign owned companies. It also shut down private businesses, most notably media companies that were critical of his agenda.

Some supporters of socialism suggest that Venezuela's plight is the result of low oil prices. If oil were the root cause, why don't we see the same poverty and economic strife in other countries that are as dependent or even more dependent on oil than Venezuela? The real problem with Venezuelan oil is not its price, but socialism.

PdVSA, the state oil company, used to be reasonably well run prior to Chavez's socialist revolution. People were hired based on talent and skills and the government operated it in a relatively hands-off fashion. After socialism, the inevitable happened. Economic policies led to overall higher unemployment and scarcity, and political cronies wanted jobs for themselves or their family members. Families of opposition party members and others were kicked out of PdVSA and the politically connected, but not talented, replaced them. This accelerated following a strike by managers and employees who wanted an election, concerned about Chavez's heavy-handed rule. In 2003, 19,000 were dismissed and replaced by loyal party members.

Productivity at PdVSA has tanked as a result and its productivity is a fraction of what it used to be. In 1998, a year before Chavez was elected, it produced 3.4 million barrels a day. In May last year, it barely produced 1.5 million barrels in the entire month. Chavez's socialism lowered its productivity to a level not seen since the 1950s. Worse still, over many years Venezuela has given away huge amounts of oil to Cuba, helping prop up the Castro regime, but not the citizens of Venezuela.

Socialism's apologists will tell you that while they don't support authoritarian socialism, democratic socialism is a good thing and doesn't lead to what we're witnessing in Venezuela. I lived under democratic socialism in New Zealand and

the results were not good.

Here are just a few examples of what this economic theory wrought on the country. During the oil crisis of the 1970s, the government simply banned people from driving on certain days to reduce petrol consumption. When product innovations in margarine were made in the mid-1900s, the government, to protect dairy farmers, required you to obtain a prescription for it from your doctor. New Zealand only had two television channels until the mid-1980s and both were state run - this is straight out of the Venezuela playbook, which as noted has shut down many media companies and largely controls what remains.

Fortunately, an economic crisis in 1984 brought on from decades of socialist policies resulted in a new government in New Zealand. Some inspired leaders from its left-wing Labour Party reversed course and pursued more free market policies. (I delivered a detailed speech on this subject last year.)

Supporters of democratic socialism often point to “the Nordic countries “, but there too the story is very similar to that of New Zealand. Sweden went further than most other Nordic countries with its socialist experiment, but it too reversed course around the time of New Zealand’s reforms. There are similar crazy things its government did, in line with the examples above from New Zealand. But the story of Sweden’s success has not been a socialist tale, rather it’s a free market one. The country’s school voucher system is straight out of Milton Friedman’s playbook. Sweden’s healthcare reforms took it away from a failing government run system to one with significant private sector involvement. Its government has partially privatized its postal service and privatized or sold its stakes in dozens of other businesses.

Recalling that socialism is characterized by government ownership and operation of the means of production, Sweden has self-evidently moved away from this failed economic system in a big way. The same is true of other Nordic countries. Denmark has also adopted a popular school voucher system. And the governments of Denmark, Finland and Norway privatized or sold stakes in dozens of businesses in recent decades. Their relatively strong economies are not a result of their socialist history, but in spite of it. Lest there be any confusion, in 2015 Denmark’s current prime minister, Lars Lokke Rasmussen, went so far as to say:

I would like to make one thing clear. Denmark is far from a socialist planned

economy. Denmark is a market economy.

Socialism is failing Venezuela just as it failed the Nordic countries, New Zealand and every other country that has attempted it. Kaitlin Bennet (@KaitMeriox) summed it up well on Twitter last month:

Source: <http://nkerr.com/socialisms-apologists-ignore-venezuelas-human-tragedy/>

[Disclaimer]