Reasons Behind the Venezuelan Crisis

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Introduction

Venezuela has been in a deep economic and political crisis since the beginning of Nicholas Maduro's regime, an authoritarian leader who was narrowly elected in 2013 after the death of President Hugo Chavez. Since then, the Venezuelan Gross Domestic Product has contracted by 50% and the levels of inflation are at a record high, according to reports by the International Monetary Fund (IMF). The Venezuelan economy is now characterized by shortages of food, reduced purchasing powers for the people and the collapse of the social services, with more than 50% of the people living in poverty. The aim of this paper is to explain the reasons behind the crisis now experienced in Venezuela that has caused a drop in economic performance, including the drop of Venezuelan oil prices in the global market. Since Maduro came to power, corruption has been on the rise as leaders seek to enrich themselves using public assets and without proper accountability structures, such actions go unpunished. The crisis is an indicator of the flawed macroeconomic policies that have resulted in the collapse of social and political pillars of the country, and the high debt levels that have even led to the seizure of oil assets. Since Juan Guaido declared himself president and received support from the national assembly and majority of foreign countries, there have been massive protests, and in these times there is a massive abuse of human rights where protesters are beaten and killed. The crisis being experienced in Venezuela mainly emanates from bad leadership and poor policies in the country leading to a collapsing economy and the deteriorating conditions for the Venezuelan people.

Literature Review

According to Leonardo Vera, the Venezuelan crisis is a result of years of mismanagement within the government that as bred habits such as corruption, thus draining the resources and assets such as oil (2017). The trend has resulted in a huge drop in the price of the Venezuelan oil in the global market, plunging the country in huge debts as the government tries to borrow haphazardly in an attempt to stabilize the economy. The poor macroeconomic policies that resulted in the depletion of liquid international assets and the loss of international market access led to the drop in oil prices, one of the major resources of the country. The increasing financial debt has now plunged the country into a deep hole of liability and loss of trust by foreign nations and lending institutions. In a move to control the staggering debt, the government under the leadership of President Maduro has implemented import compression in order to generate trade supplies. In turn, there is a shortage of basic goods and import products, hence the fall in domestic output and rising inflation to the levels of 13,000 percent (Vera, 2017).

According to Rendon and Schneider, the drop in oil prices in the global market is a major cause of the collapse of the Venezuelan economy (2018). Venezuela boasts of the largest oil reserves in the world and is the country's biggest export product. However, over the years when the oil prices were high, Venezuela used its revenue to fund projects with no value, while the rest of the revenue was plundered by corrupt individuals leaving no reserves for future use. With the careless borrowing and unwise spending by the government, the country has no international asset reserves and lacks the ability to borrow due to the loss of confidence by the international lenders. According to the article, the currency value of the Venezuelan bolivar has drastically dropped losing its edge in the international market (Rendon and Schneider, 2018). With the loss of competitive edge, Venezuela no longer accesses to international markets and therefore lacks the ability to import and boost the local economy, which is now in a stagnant state.

Dr. Ellis looks at poor leadership as a cause of the crisis, as the situation is now escalating to civil wars (2017). Recently, the situation in Venezuela has become unbearable leading to protests against the current regime, a move that saw the opposition leader Juan Guaido declare himself as president and receive massive support from most foreign governments and the national assembly. During the protests, there is a massive abuse of human rights where protesters are beaten and even executed in an attempt to control the spiraling situation. Due to the shortage of basic needs, many people are now seeking refuge in the neighboring countries including Colombia. Maduro, being a dictator in power has prohibited the receipt of foreign aid, terming it as an attempt by foreigners to start imperialistic intervention and overthrow his government (Ellis, 2017). As a result, the people now barely have food, medicine, and other basic needs; malnutrition levels are at record high levels and the previously eradicated diseases are making a come-back.

The crisis in Venezuela can be summed up as a result of poor political decisions, mismanagement of public resources and bad policies leading to the collapse of the economy. The situation is now escalated by the ongoing protests leading to deaths and collapse of social systems and if action is not taken fast, it may be very hard to salvage the situation as there will be no resource to rebuild the economy.

Methodology/ Approach

The research for the paper involved the review of 4 scholarly papers explaining the situation in Venezuela and the underlying causes of the crisis. The methodology included research and analysis of the articles to come up with reasonable causes that explain the current situation in Venezuela.

# References

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