



Written by [Bob Adelman](#) on February 18, 2016

Venezuelan President Maduro Raises Gas Prices 6,000 percent, Devalues Bolivar

During a five-hour TV speech on Wednesday that turned into a harangue against capitalism and President Obama, Venezuelan President Nicolas Maduro (shown) exercised the powers granted to him in January to deal with the country's economic crisis. He did what most socialists do when their policies don't work: [he did more of them](#).



First, he raised gasoline prices by 6,000 percent in an attempt to save the government some \$10 billion a year. Second, he ordered that the official exchange rate be changed from 6.3 bolivars to the dollar to 10, a 37 percent decrease in purchasing power. This was designed, he said, to encourage imports.

These two measures by themselves will increase the cost of living even further in a country ravaged by inflation that is the highest in the world while doing nothing to address the real underlying cause: money printing to cover massive government deficits.

Almost all of the country's revenues come from selling production from its massive crude oil reserves. Those revenues are paid directly to the country's central bank, which then disperses them to support various socialist welfare programs. In January 2014 those revenues topped \$3 billion. A year later they fell to \$815 million. Last month they plummeted to a mere \$77 million. The resulting shortfall, estimated to be 20 percent of the country's gross domestic product, is being papered over with massive printing of bolivars being flown into the country from currency printers in the United Kingdom, Canada, France, and Germany.

He also raised the minimum wage by 20 percent, thus guaranteeing further unemployment among those whose skills can't justify the new minimum.

The one thing Maduro could have done, and should have done, was to lift the onerous price controls that have resulted in shortages of everything from toilet paper to aspirin to infant formulas. At least that would have recognized what's happening in the black market, where it takes more than 1,000 to buy a dollar, as of Wednesday.

The unreal world which Maduro inhabits is reflected by his tirade against capitalism for all of Venezuela's problems and blaming President Obama for orchestrating an "international financial blockade" that is forcing Venezuela to pay exorbitant interest rates to borrow, if lenders can even be found.

Common sense is absent in Maduro's government but easily found on the streets of Caracas. A 39-year-



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old taxi driver, Wilfredo Alarcon, explained elemental economics to Kejal Vyas of the *Wall Street Journal*:

Everything ... goes up when you do something like this. Tomorrow a corncake will cost more. Everyone will raise prices [especially including] those who deliver food.

Last month the International Monetary Fund (IMF) estimated that price inflation in Maduro's mad mad world would exceed 700 percent in 2016. It's now clear that that estimate is likely to fall far short of reality. Just in the last year alone citizens in that unhappy country have seen prices for meat increase by 537 percent, fruits and vegetables by 395 percent, and milk and cheese by 371 percent.

His economic insanity is generating some modest pushback from opposition in the government as well as some unhappy citizens who clashed with police on Wednesday night. Parliament speaker Henry Ramos Allup said, "In the next few days we will have to present a concrete proposal for the departure of that national disgrace that is the government." Ramos Allup's problems are compounded by the complicit Supreme Court inhabited entirely by Maduro appointees who have ruled that the decree announced in January by Maduro was constitutional. Ramos Allup attacked that decision, saying that if what the court "has done is not a coup, I don't know what to call it."

In increasingly unsuccessful attempts to direct people's attention away from his administration's manic policies, Maduro arrested Leopoldo Lopez, a leader of the Popular Will party and former mayor of the Chacao Municipality of Caracas, charging him with inciting violence, which is beginning to escalate in response to Maduro's policies. "I said, 'Send him to jail,' and that's what happened and that's what will happen with all of the fascists," Maduro said. "I won't allow him to challenge the people of Venezuela [or] the constitution."

Maduro also blocked broadcasts from television station NTN24 based in Colombia for telling the truth, and has threatened U.S.-based CNN as well:

I asked my minister of Communications ... that she notify CNN that the administrative process of removing them from Venezuela has begun if they do not rectify (comply). CNN will leave Venezuela. Enough of the war propaganda.

It's likely that Maduro is going to have problems much more severe than some modest Parliament pushback. In 1989, similar increases in the price of gasoline sparked a wave of protests, riots, lootings, shootings, massacres, and murders that lasted a week and resulted in the deaths of at least 2,000 citizens. Then-president Carlos Andres Perez suspended several articles of the Constitution including Article 60 (the right to individual liberty and security); Article 62 (inviolability of the home); Article 66 (freedom of expression); Article 71 (right to gather publicly and privately); and Article 115 (right to peaceful protest).

During the time when those rights were arbitrarily suspended, Venezuelans were subjected to unannounced raids on their homes, the disappearance of family members never to be heard from again, and torture and murder.

Those riots, referred to as Caracazo (the "Caracas Smash"), set the stage for the rise to power of the late unlamented Hugo Chavez, the mentor of Venezuela's present president, Nicolas Maduro.

It's becoming increasingly clear that Maduro is fighting not only for his political life but for his very existence. As he is destroying the currency, he is also destroying the country, raising very real possibilities that he also will be destroyed. That, it seems, is all that socialists are really good at.



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Photo of Nicolas Maduro: AP Images

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