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Venezuela, Governance and Policies

The Venezuelan Crisis

With vibrant jungles, snow-capped mountains, and a vast Caribbean coastline, at first glance, Venezuela looks like the ideal place to be. Zoom in a little closer, however, and the harsh reality could not be more contrasting: overcrowded and hastily constructed slums surround tall buildings, hospitals crumble in the heat, and people sit on the streets either starved or diseased. This is shocking to many given that Venezuela used to be thriving. Venezuela is a small country on the northern coast of South America. With a land area of 353,841 mi², its population of 28.52 million lives pretty compactly, and stacked homes are common (World Bank, 2019). Its most defining features, though, are its enormous oil reserves that surpass even those of Saudi Arabia. Unfortunately, oil was what led to their downfall. For the past several years, Venezuela's economy has been stuck in a never-ending downward spiral. Hyperinflation even reached an all-time high of nearly 54,000,000% in 2019 according to Venezuela al Dia. Thankfully, inflation rates have decreased to 2960% in 2020 due to the gradual dollarization of their economy (Trading Economics, 2020). Even with these advancements, however, the majority of their population is still struggling to make ends meet, and floods of refugees are fleeing the socio-economic instability, political turmoil, and never-ending humanitarian crisis. As the issue worsens with each passing day, food security has become a more critical issue in need of a solution. The most prevalent cause of this dilemma is the political instability that has slowly torn the country apart from within. The authoritarian regime of Nicholas Maduro has brought harmful governance and policies that have pushed the nation close to the brink of no return. The only way Venezuela's government can solve the food insecurity that this has caused is through international assistance, diversifying their economy, and investing efficiently.

Exploring life in Venezuela

Venezuelan households are typically larger than their American counterparts. The average family includes about five to six people per home. In the 1950s, Venezuela's financial boom caused rapid urbanization which led to overcrowding (Borgen project, no date) . Without suitable land to build on, people were forced to build homes on top of each other, creating vertical slums. A typical meal almost always consists of corn and beans, and dishes such as arepas or cachapas are common. Food is mainly imported or bought rather than grown by farmers, creating a higher dependency on the international market rather than domestic markets. Unfortunately, three meals a day is never a guarantee. Roughly 30% of children younger than 5 years old are malnourished (Foodandnutrition, 2020). According to Trading Economics, the projected monthly nominal wage of people in Venezuela is only \$1,018 per month, which explains the difficulty to acquire food, especially with hyperinflation.

Quality of life is another pressing issue for the people of Venezuela. While basic education from ages 2-15 is both mandatory and free, this does not guarantee quality. Many parents are unable to afford school supplies, school buildings are falling apart, and students are forced to drop out or skip school to provide for their families. In fact, 28% of students did not attend school due to the shortage of water, 22% due to a lack of food at home, and 13% due to food shortages at school (Living Conditions Survey, 2017). Healthcare isn't much better. Venezuela deals with budgetary issues, management problems such as doctor strikes, and poorly maintained hospitals. Hospitals have closed down or are forced to operate at a fraction of their capacity, many without regular access to electricity or water. As a result, we see diseases such as malaria, typhoid fever, tuberculosis, zika virus, dengue, and hepatitis A spreading like wildfire across the nation. In fact, for every 100,000 live births, 125 mothers died due to poor health conditions (CSIS, 2017). This dilemma extends far beyond just hospitals. A decade of blackouts, water shortages,

and heavy damage to power plants has crippled Venezuela's electrical systems. As a result, the country has had to resort to rationing its electricity.

All of these issues are only exacerbated by a lack of accessibility to essential resources such as clean water, which has unfortunately become a luxury within Venezuela. Despite being ranked 12th in the world for the supply of freshwater, the CSIS states that almost 8 out of every 10 Venezuelans do not have continuous access to clean drinking water. The complete disregard towards the nation's water supply lines has led sanitation to deteriorate and contamination to remain unchecked, increasing the rates of waterborne illnesses. This is devastating to both individuals, as well as agriculture. These shortages have contributed to national agricultural output falling by approximately 60 percent within the last 20 years. (CSIS, 2019). As a result, Venezuela has become highly dependent on imports for essential resources such as food.

Examining how governance and policies led to food insecurity

Venezuela's problems stem from its governance and policies. The ineffective government is no recent issue. Instead, it has been slowly worsening since ex-president Hugo Chávez stepped into office in 1998. Back then, Venezuela was a wealthy country with the fastest growing economy in Latin America. Containing the largest oil reserves in the world (Independent, 2019), it was said to have been so rich that its capital had more French restaurants than New York City. Chávez profited from the boom in oil prices and decided to invest in welfare programs. In the beginning, wealth inequality was reduced, and at one point, he even offered free heating oil to Americans in need (History, 2019). Unfortunately, their abundance of oil was also a curse. Failing to diversify its economy, Venezuela was left at the mercy of oil price shocks, which cut out profits from the one sector they had developed. A total disregard towards the production of common goods and agriculture within the country left them dependent upon imports of resources like food that they could no longer afford. To hold onto his presidency, Chávez turned to violating democratic principles, shifting political power towards himself, and pressuring opposing political parties. And as a result, Venezuela only moved closer and closer to the brink of catastrophe.

When Chávez passed away due to colon cancer, Nicholas Maduro took his place, escalating the already disastrous crisis. When oil prices began to plummet in 2014, the ill-equipped economy was unable to handle the blow. With his strong authoritarian government and socialist policies, hyperinflation went past the millions as Maduro started printing out mass amounts of currency to fund their needs (Aljazeera, 2019). This situation has only gotten worse as Covid-19 caused even harsher price shocks, affecting all countries heavily. Oil production dipped down to a third of its previous output as the country fell into a state of disarray. Maduro had two options: take away welfare policies or run a fiscal deficit. Unfortunately, he chose the former. Protesters took to the streets as inflation spiked and shortages worsened. As prices skyrocketed, wages could not keep pace. Due to this, the majority of their population has been unable to afford basic necessities such as food and water, and 5 million have escaped as refugees (International Organization for Immigration, 2021).

In 2014, the U.S. placed sanctions on Venezuela in an effort to pressure Maduro out of his regime. They disapproved of the corrupt government and its human rights violations. The sanctions were heavily increased in 2017 by the previous U.S. President Donald Trump, and an embargo was placed on the government, blocking all trade. This had drastic effects on the Venezuelan economy as the U.S. was one of their largest sources for imports, and the embargo made selling oil (the cornerstone of the Venezuelan economy) nearly impossible. Without food imports, millions starved and many lost their sources of income when connections were cut with the US. However, even as the plight of his citizens worsened, President Maduro refused international aid so that his people would be solely dependent upon him. President Maduro also forced price controls on goods and services like food, driving down prices in an effort to combat inflation. However, this has harmed the revenue of producers, who no longer seek to

produce unprofitable goods such as food or invest in their production. This underproduction has left food scarce, and many producers have taken to the black market, where prices are controlled by them alone. Consumers are harmed as well, as some of the price controls on food are still higher than the monthly wage of families. It is clear that as long as Maduro remains in power his policies will keep ruining the economy, and food scarcity will continue to be a prevalent issue that will only get worse.

Eliminating food insecurity through government and policies

Despite how grim the future of Venezuela seems, there is still hope for the future. The key to food security lies in fixing the damaged economy and reversing harmful governmental policies that have both diminished the availability of food as well as taken away the ability for people to buy food. The solution comes in three parts: international assistance, diversifying their economy, and investing efficiently.

International Assistance

The first step towards making a lasting solution is gathering funds and maintaining good relations with other countries. Venezuela used to reject the assistance of organizations such as the International Monetary Fund (IMF) due to their history of austerity demands (Globalcitizen, 2019). However in 2020, Maduro finally caved in and turned to the IMF for \$5 billion in aid. His request was denied since many countries like the U.S. do not recognize Maduro as the official president anymore due to corrupt elections (They instead support an interim president named Juan Guaidó). As a result, giving them aid would be violating the IMF's policies (AP News, 2020). This means that if Venezuela is to acquire the money it needs to battle food insecurity, its only option is accepting aid from other countries and humanitarian aid organizations like the World Food Programme (WFP). Distribution should also be monitored carefully by the donor to avoid it being invested into overfunded sectors like the military. Venezuela additionally needs to maintain diplomatic ties with those they trade with and those who provide them aid in order to negotiate affordable imports, since that is their biggest dependency for food. While Venezuela can start fixing the problem on its own, in reality, it needs both assistance and funds to ensure that its changes are sustainable (not just short-term cover-ups).

The U.S. has offered \$20 million in aid, and other countries like Canada, Germany, and the United Kingdom have pitched in help as well (CNN, 2019). Yet as funds pile up, Maduro refuses to let them in for fear of foreign intervention and of admitting he has lost control over his people. Ironically, he is losing more support by *not* bringing in aid and leaving his people to fend for themselves. The state governments are losing their power to violent criminals, guerrillas and other non-state actors who are angered at the state of the nation (Crisisgroup, 2019). Venezuela simply does not have the funds to pull itself out of this crisis, and their government's solution of printing money is only continuing to spike inflation and increase the prices of food beyond the means of the people. The most legitimate way to gain money to solve this issue is by accepting the aid given by other countries. This money could be used to subsidize producers to make food affordable, incentivize innovation to increase domestic production of food, and increase wages so that people can afford it. In case the aid is not sufficient to meet their needs, they could consider renegotiating taking out a loan from the IMF. This would help stabilize their currency to help combat rising food prices and buy food imports while they work on restructuring their economy. Only once Maduro proves that he can provide for the nation will non-state actors stop causing violence.

The U.S. must also reconsider their over-involvement in the affairs of Venezuela. The sanctions are taking a heavy toll on the Venezuelan economy, greatly harming the people's ability to acquire food. The oil embargo has had especially drastic effects since 90% of government revenue came from the oil industry (DW, 2019). Without these funds, the government can no longer give to welfare programs that provided their entire population with food, water, and almost every necessity they needed. Sanctions aren't pushing Maduro out of the government as they intended, and the only group being harmed are his people. This is

only making Maduro stronger by vilifying the U.S. and the opposition Juan Guaidó who was forced out. Maduro is simply using them as a scapegoat for his mistakes. This solution isn't too far off as U.S. President Joe Biden has already been slowly reversing some of the sanctions by allowing propane deals to go through (US News, 2021).

Diversifying the Economy

Once Venezuela has sufficient funds, it can move on to the next solution: diversifying its economy. This would reap a multitude of benefits for food security by creating an economy that is flexible, not fixed. When Venezuela put such a high dependency on oil, the economy was left susceptible to volatility because all sectors had not grown equally. As a result, when price shocks hit, they lost the most significant contributor to their profits and were unable to pay for the imports that brought in food. If they specifically strengthened their agricultural sector instead of restricting it so heavily, they would no longer be as dependent upon other countries to export food but could instead produce it themselves. At the moment, many farmer's simply do not feel safe to invest. Price controls keep getting lower, the government can reclaim your land at any moment, and criminals steal from farms consistently while the police barely bat an eye (Marketplace, 2016). As a result, if a farmer even tries to sell their land they won't make a profit. Many can no longer import food for their animals and are forced to slaughter them to make their own meals (Marketplace, 2016). If the government were to provide more support and reliability for the farming industry they could strengthen it. They could even shift funds from the military over to agriculture. So, if the international market ever goes through a similar drop in oil prices again (or any industry for that matter), Venezuela won't have to worry about not having enough food for its population because they will have other sources to lean on. Hyperinflation will also be less likely to occur or at least not reach the same heights since they will no longer need to increase prices, making food more affordable and accessible to the majority of people.

To effectively carry out this reform, the government will have to do more than simply force policies on the people but also incentivize the change too. Economic diversification is currently facing major challenges because many businesses in Venezuela are forced to shut down since they are not making a significant enough profit to warrant continued production. This is because consumers are unable to buy much at such inflated rates. If the government were to hand out subsidies to farmers for purchasing land, feed for animals, fuel for harvesting crops, etc. this would allow them to make their prices cheaper, pushing consumers to buy more and put more money into the market, spurring growth. The issue of food insecurity could finally be combatted once the government fixes its bureaucratic process and reverses the shrinking of the farming sector. The Venezuelan government could also use policies like tariffs in the future to limit the import of agricultural goods to encourage domestic agriculture once they develop the industry more. If importing becomes unprofitable, businesses will buy from domestic producers to save their money. As a result, Venezuela's markets will grow, and the Venezuelan economy will be less susceptible to volatility.

Investing Efficiently

Another critical issue the Venezuelan government needs to address is managing its investments. In the short term, the government must aid the failing infrastructure system. Notably, the electrical sector needs significant attention. Power outages are continuously shutting down necessities such as water towers. The lack of accessibility to water pushes many to gather their water from dirty river water and sewers. This is increasing the spread of preventable illnesses and deaths in hospitals (share.america.gov). In addition to this, a sick population means that they are unable to work, go to school, etc. Health should be a priority for the people as it affects their ability to complete day to day tasks. Being stuck in a hospital or sinking in hospital debt reduces the purchasing power of the average household, making it difficult to buy necessities such as food. Furthermore, these water shortages have cropped the farming industry.

Crops easily dry out as water is a precious source that farming needs a lot of. As a result, many farmers leave the industry as it becomes unprofitable. Larger water reserves would lead to increased farming and decreased food insecurity.

However, if Venezuela wants to see long term success they need to invest in their citizens. So far, roughly 15% of Venezuelans have left the country since 2015, causing a significant brain drain (CSIS, 2019). This is a devastating trend because the medical professionals, entrepreneurs, scientists, and engineers that left are the people who are needed to pick up the broken pieces of the nation. To fix this, they need to funnel money into education. Providing a safe and high-quality learning environment will keep more children in school and expand the workforce to fill missing jobs and support the failing market. The labor force will have a larger skill set that can fill a greater variety of jobs, and workers in the labor force will be able to afford more necessities such as food. If consumer purchasing power is on the rise, producers will have an incentive to provide more. The benefits of this will even spill over into other fields as well. Better educated doctors mean higher quality healthcare. Better scientists mean newer technology to solve water and sanitation issues. Better entrepreneurs mean more businesses and greater availability of goods. Better engineers mean better electrical systems and fewer blackouts. Investing in education is one of the best long-term solutions the government can partake in.

Conclusion

Although the situation in Venezuela may seem almost hopeless, there is still a chance for the country to regain the stability it once had. Through international assistance, economic diversification, and efficient investments, the government of Venezuela can turn the economy away from failure and end the catastrophic food crisis once and for all.

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