[The collapse of the Venezuelan model and the damage done by nationalisation]

There are today 79,900 Venezuelan bolivars to one dollar, compared with 10 last year according to the official rate. No-one can be sure how big the drop has been in national income and output because the government no longer produces figures. There are shortages of many basic items in the shops. An authoritarian government distributes items to those it favours and damages the right to vote for change. What we do know is that thanks to nationalisation, the Venezuelan oil industry has fallen on very hard times.

Venezuela has the largest known oil reserves of any country in the world. Before Chavez took power, Venezuela produced and sold 3.5 m barrels a day. This was modest output compared to the USA or Saudi at around 12 m barrels a day, and eminently sustainable. Under sensible management with private sector expertise, technology and investment it would have been possible to expand output substantially and add to state revenues. Instead today Venezuela struggles to produce just 1.5m barrels.

This came about by forcing oil companies that were producing good quantities for Venezuela into accepting very poor joint ventures with the state, or appropriating their assets. The people who knew how to run the enterprises were replaced. The state overtaxed the exports, leaving the nationalised industry short of cash to maintain and modernise its production assets and to keep its fleet of tankers for export up to international standards. The nationalisation was meant to give the government full control to allow it to perform better and more in the interests of the state. Instead it has led to a sharp drop in output, in state revenues and exports. This is particularly worrying for the country as it is chronically dependent on oil exports for its failing balance of payments, and on oil revenues to meet the costs of government.