



Multipoverty in Venezuela: A Libertarian Approach

Multipobrezas na Venezuela - uma abordagem libertária

Multipobrezas en Venezuela: Una Aproximación Libertaria

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RESUMO

A pobreza tem sido definida de forma similar por diversos autores e organizações internacionais. Contudo, tais definições tendem a ser simplistas e não fortes o bastante para lidar com situações complexas que envolvem diferentes pontos de vista com respeito ao fenômeno da pobreza. O objetivo desse artigo é usar a perspectiva praxeológica e introduzir uma nova definição, a de multipobrezas, aplicando-a na análise da crise atual na Venezuela. Chegamos a três conclusões: na Venezuela de 2018, todos os cidadãos comuns tendem a ser pobres, e a explosão social é possível; a natureza do ser humano é muito complexa para ser analisada por uma abordagem simplista cuja base são métodos puramente quantitativos; a abordagem multipobrezas agrega uma camada humanista, praxeológica e individualista, baseada nas ideias de liberdade de ação, às definições tradicionais de pobreza, colaborando para um melhor entendimento do fenômeno.

Keywords:

Multipoverty; poverty;
Venezuela; Libertarian
approach; economic
freedom.

ABSTRACT

Poverty has been defined by several authors and international organizations from similar perspectives. However, those definitions tend to be simplistic and not powerful enough to deal with complex situations that involve different points of view on the poverty phenomenon. The aim of this paper is to use a praxeological standpoint and introduce a new definition, multipoverty, while using it to analyze the current crisis in Venezuela. Three main conclusions are drawn: in current Venezuela, all common people are very likely to be poor, and a social explosion there is possible; the nature of the human being is too complex to be analyzed under a simplistic approach based on the rigidity of pure quantitative methods; the multipoverty approach adds a humanistic, praxeological, and individualistic edge, based upon ideas of freedom of action, to the traditional definitions of poverty and helps to better understand the phenomena.

Palabras clave:

Multipobrezas; pobreza;
Venezuela;
aproximación libertaria;
libertad económica.

RESUMEN

La pobreza ha sido definida de forma similar por diversos autores y organizaciones internacionales. Sin embargo, estas definiciones tienden a ser simplistas para hacer frente a situaciones complejas que involucra diferentes puntos de vista con respecto al fenómeno de la pobreza. El objetivo de este artículo es usar la perspectiva praxeológica e introducir una nueva definición: la multipobrezas. Aplicándola en el análisis de la crisis actual en Venezuela, llegamos a tres conclusiones: en Venezuela de 2018, todos los ciudadanos comunes tienden a ser pobres, y la explosión social es posible; la naturaleza del ser humano es muy compleja para ser analizada por un enfoque simplista, cuya base son métodos puramente cuantitativos; el enfoque de la multipobrezas agrega un enfoque humanista, praxeológico e individualista, basado en las ideas de libertad de acción, a las definiciones tradicionales de pobreza, colaborando para un mejor entendimiento del fenómeno.

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INTRODUCTION

Poverty is a broad term that has been defined in many ways. Some of the most common definitions are based on the economic approach, measured through income, satisfaction of basic economic wants and needs, or different kinds of combinations of those variables. Nevertheless, other types of poverty exist, as well as different qualitative and quantitative determinants and ways

to measures poverty. The current measurements tend to be simplistic and not powerful enough to deal with complex situations that involve different dimensions of the phenomenon.

This article attempts to introduce the term coined by the authors: *multipoverty*. The paper is supported by previous research carried out by the Economía group in the School of Science and Technology at Universidad Centroccidental Lisandro Alvarado, in Venezuela, and by researchers from other institutions. The investigation starts from a libertarian point of view to analyze and support the idea that all common people in Venezuela are very likely to be poor.

This work is divided into five parts: this introduction; an explanation of the theoretical foundations of the multipoverty concept under a praxeological point of view; a brief historical analysis to present the Venezuelan context in which poverty triggers have unfolded; a main discussion based on the current situation of Venezuela; and conclusions.

1. POVERTY: THEORETICAL FOUNDATIONS

This first section talks about the libertarian approach to poverty and compares it to other concepts used by most of the mainstream authors and publications. Later, the most common approaches to poverty are briefly discussed. One relevant point to be made right away is that almost all common definitions of the term include the word “deprivation”, meaning the state of being kept from possessing, enjoying or using something.

1.1 A Praxeological view of poverty

To the best of our knowledge, the most relevant theorists of the Austrian School of Economics, such as Menger, Mises, Hayek, and Rothbard, did not publish any specific work dedicated to poverty. Poverty was considered in their intellectual works, and many suggestions on how to reduce it were put forward in different times and places. However, Henry Hazlitt, one of the greatest exponents of the libertarian thought and a student of Mises, wrote a book called *The Conquest of Poverty* ([HAZLITT, 1996^a](#)). In its 20 chapters, Hazlitt explains the history of poverty and how humankind always had to struggle with this socioeconomic problem. The author also offers his point of view on how to reduce poverty.

A libertarian definition of poverty should be consistent with a methodological individualistic approach based upon the method of praxeology. [Rothbard \(2009a\)](#) said “Praxeology rests on the fundamental axiom that individual human beings act, that is, on the primordial fact that individuals engage in conscious actions toward chosen goals” (p. 58). Following this view, neither

the state, nor organizations, nor even other individuals are able to define what poverty really is for another person, who is the only one fully endowed with the power of choice and truth about his own situation. Consequently, a praxeological view on poverty is based on an inherent subjectivist approach, which makes it distinct from all other concepts that tend to neglect the individual characteristics of every single person and collectivize the analysis.

In this respect, it is possible to think that poverty has always been present in the history of humankind. Moreover, as long as there are unfulfilled wants and the possibility of action, there will always be some degree of poverty. [Hazlitt \(1996^b\)](#) stated that “the history of poverty is almost the history of mankind” (p. 13). Poverty in this view is directly related to the desires of humans, their right to choose, and their access to possibilities of choosing.

Furthermore, under this view, everybody is poor to some degree. People’s struggle to enhance their quality of life is perennial. Individuals always want to achieve better subjective situations; in this sense, everyone inherently feels the lack of something. Besides, a minimum degree of poverty, as understood from this standpoint, can also be thought as incentive to look for improvement.

Hartley Withers, cited by [Hazlitt \(1996^c\)](#), supports this view: “it is part of man's nature never to be satisfied as long as he sees other people better off than himself” (p. 32). In that sense, from a libertarian perspective, poverty is related to the individual and subjective needs and wants of people inspired by the success of fellow individuals, by the person’s internal pushes, and by the possibilities for their own success. Poverty appears along with the individual desires to improve and achieve personal goals and objectives. Pursuing the desire of becoming better is an inherent part of the human nature. The following definition supports this view of the libertarian thought.

Poverty can be alleviated or reduced, and in the Western world in the last two centuries it has been almost miraculously alleviated and reduced; but poverty is ultimately individual, and individual poverty can no more be "abolished" than disease or death can be abolished (HAZLITT, 1996, p. 229)

On the basis of the argument that poverty has, in short, an individual scope, and cannot be totally eliminated, libertarians support the reasoning that the most effective way to reduce it is a free market economy. In other words, the establishment of laissez-faire capitalism and the free pursuit of individual goals by every single individual via capital accumulation, production, and exchange. This conclusion about the main cause of poverty can be drawn, for example, from [Mises \(1998^a\)](#), who wrote “the penury of these miserable masses of [...] is not caused by capitalism, but

by the absence of capitalism” (p.832). With regard to this view, the creation of wealth is highly relevant in order to reduce poverty:

Whether or not man lives at the level of poverty or abundance depends upon the success that he and his ancestors have had in grappling with nature and in transforming naturally given resources into capital goods and consumers’ goods. ([ROTHBARD, 2009^b](#): 340)

It is not difficult to deduce the importance of economic freedom in the reduction of poverty from the perspective of the libertarian thought. [Rothbard \(2009^c\)](#) states that “it is the free market in a free society that furnishes the only instrument to reduce or eliminate poverty and provide abundance” (p. 340). He also says “it is precisely voluntary exchange and free capitalism that have led to an enormous improvement in living standards. Capitalist production is the only method by which poverty can be wiped out” (p. 1319).

From these arguments, it seems logical to support the idea that poverty is not confined to the scope of an economic approach, but is a broader concept involving that approach and others as well.

In fact, this standpoint implies that, given that there are and there will always be unfulfilled wants, an individual will be relatively poorer if fewer of these wants are actually satisfied, whereas he will be less poor if more of them are satisfied. This approach necessarily involves comparison between various possible settings: given the same set of wants, individuals will be able to feel more or less poor in accordance with their ability to satisfy those wants via action. In this context, the environment in which the individual is inserted and the tools (intellectual, financial, etc.) that he has access to, will affect his/her possibility of escaping poverty. This praxeological approach to poverty has a distinguishing feature: other conceptions of the term involve analysts passing at least some degree of value judgment to the measures of poverty – which helps by lending some objectivity. This is not true for the concept outlined in the present paper, since poverty is considered here as an individual state.

It is a fact that multidimensional poverty has become an issue of paramount importance in the scientific community. That is why it is a challenge for an author to take account of the whole literature in the field. Notwithstanding, this work attempts to introduce a new approach based upon the method proposed by [Alkire and Foster \(2011^a\)](#), while acknowledging that there are many other authors who explain the multidimensional approach of poverty in different ways and deserve to be cited in further researches.

Nowadays, the multidimensional approach of poverty is considered a broad view of this social problem. One of the most well-known works in this field is the already mentioned [Alkire and Foster \(2011b\)](#), which supports that multidimensional poverty is a methodology with which the researcher can identify poor people and measure poverty using deprivation cutoffs “as the basis for determining who is deprived and in which dimension” (p. 4). These authors explain that those deprivation cutoffs emerge from “data on achievements in several dimensions, distributed across a population” (p. 3).

Although *multipoverty* could be understood as a multidimensional approach of poverty, it has some important differences when compared to Alkire and Foster’s work. Both *multipoverty* and multidimensional poverty are concepts built upon a set of different factors that generate a feeling of lack and deprivation in people. [Alkire and Foster \(2011c\)](#) explain that they understand “poverty as multiple deprivations that are simultaneously experienced. Persons confronted by a broad range of deprivations are poor, while those with limited breadth of deprivation may not be” (p. 12). Nevertheless, the *multipoverty* concept tries to embrace an individualistic standpoint to the discussion. It just attempts to explain why some people who would not be considered poor using the standard measures of poverty are, in reality, indeed poor.

1.2 Other views on poverty

Many relevant studies have demonstrated the need to approach poverty from a wider methodological perspective than just from the economic one. Some of these important authors are: [Hopenhayn \(1994^a\)](#) supports that poverty is an old phenomenon and the response to multicausal effects expressed in different fields of the human being’s life. He concludes that social dependence and injustice are the main causes of poverty. This author introduced the analysis of poverty under a social approach in Latin America.

[Sen \(1998^a\)](#) indicates that the assessment of inequality is highly associated with the assessment of poverty as the lack of satisfaction of basic needs, allowing for the understanding of the absolute and relative poverty concepts. So, this Nobel laureate shows that poverty can be analyzed in two ways: the absolute one, if basic needs are not satisfied; and the relative one, changing due to other variables. The absolute and relative poverties are definitions that have historical support.

The absolute or extreme poverty is defined by the [United Nations \(1995^a\)](#) as “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water,

sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services" (p.41).

The [World Bank Group \(2014\)](#) indicates that extreme poverty occurs when people live on less than 1.25 USD per day. On the other hand, relative poverty "defines poverty in association with the economic status of other members of the society: people are poor if they fall below prevailing standards of living in a given societal context" ([UNESCO, 2014](#), p.1).

Nevertheless, these two definitions are often criticized. The absolute poverty concept is broader than the relative one, but its definition makes it difficult to measure. The relative definition – in turn – is often best used in developed countries, but involves an abstract concept of poverty that could lead to some mistakes: when poverty is measured against the living standard of the society in a poor country, perhaps people who do not even have 50% of their basic needs satisfied could be considered as not poor. So, finding a new measurable definition accounting for the real context and other variables seems more appropriate.

[Ugalde \(2010^a\)](#) retired president of the Catholic University Andrés Bello in Caracas, expressed that the prosperity of a nation is not based on the gold it has, but on the number of talented employees with benefits. With this statement, the author considers another approach of poverty associated with the managerial process of the Latin American governments.

1.3 Poverty in Venezuela

In the specific case of Venezuela, poverty seems to be associated with the rate of investment, the price of oil, and the monetary exchange rate. [Harmath and Acevedo \(2009\)](#) cast light on the importance of these three variables, as well as on the need of establishing economic policies to fight poverty. These authors also indicate that the definition of poverty has always been tied to politics in Venezuela, with all the consequent implications. It has involved a normative and political conceptualization about society whose causes and consequences thrive, in some way, public policies and the emphasis of government's decisions. This paper supports the idea of the existence of *multipoverty*, with its implications, perceptions, determinants, correctors and measures, based upon the fact that not only the economic determinants have been present in the Venezuelan context, but other types of determinants as well.

[Peña, Harmath and Acevedo \(2013^a\)](#), using complex thinking to analyze poverty in Venezuela, looked for other characteristics, different from the economic ones, previously analyzed by Harmath and Acevedo (2009). These authors indicate that a large number of Venezuelans was considered to be below extreme poverty in the 1920's; per capita income was at least 30% less than

in any other Latin American country. There was a rural society with a very low quality of life; the country exhibited a high index of illiteracy and almost no possibility for academic or professional development. These characteristics were the triggers to embark on the so-called industrialization process required by the development models.

The situation changed with the oil boom. Oil switched the social structure in Venezuela: a migratory process began and people from agricultural places moved to new “industrial places”, seeking improvement in their quality of life. A remarkable imbalance in population density emerged which, accompanied by the populist policies and institutions implemented by different governments, substantially reduced the possibility to achieve the economic growth and development required for the Venezuelans. The socioeconomic inattention by all the Venezuelan governments produced a feel of dispossession and social disaggregation in most of the population ([RIERA, 2017](#)). This is precisely the argument that Chávez and Maduro have used to justify the high levels of inequality, poverty and insecurity¹.

[Peña, Harmath and Acevedo \(2013^b\)](#) conclude that a view based on human development is an important tool to implement public policies. If policies just concentrate on short-term solutions to the economic situation, without considering human development values, governments will not obtain positive results in fighting poverty in Venezuela.

2. VENEZUELA: A BRIEF HISTORICAL TOUR

Venezuela is located in the northern region of South America, and has an area of 912,050 km². It is an underdeveloped nation with more than 30 million inhabitants.

The roots of the problems that the country has faced in its modern democratic era are so evident that they could be easily understood by just exploring the nature of its formal and informal institutions: a centrally planned economy distinguished by a huge dependence on its state-owned oil resources, which has prominently and progressively become the only income source. This led the country to be categorized as a Petrostate ([MASSABIÉ, 2009](#)), where the state dominates not only the oil sector but the rest of the commanding heights of the economy ([FARÍA; FILARDO, 2015^a](#)).

There is a paternalist culture rooted in its citizens, according to which governments are responsible for supplying everything to the individuals ([DUFFY; EVERTON, 2008](#)); a *disloyal market system* based upon a strong mercantilist incentive structure rather than a solid capitalist one ([FARÍA,](#)

¹ According to the 21st Century Socialism regime, all the problems in Venezuela are consequence of the “forty years” before Chávez took power. That forty-year timeframe represents the democratic period from 1958 to 1998. In fact, the “forty years” and the USA are the two main culprits of Venezuela’s crisis, as per Chávez and Maduro.

[2007](#)); a dreadful monetary arrangement, which has not only coerced Venezuelans to use an increasingly devalued local currency (the bolívar) for decades, through legal tender laws, but which, through imposed exchange controls, has explicitly prevented average people from accessing other currencies to better protect their incomes and savings; an agricultural sector almost abandoned or – at least – with a very low level of importance for the policy makers ([FRONJOSA, 2011](#)); and a yearly growing corruption level, reason why Venezuela is categorized as one of the most corrupt nations in Latin America ([UGAZ, 2017](#)). In summary, Venezuela's institutions are exclusionary, extractive and coercive. This overall picture suggests the presence of a significant number of poverty triggers in that country. But how did those features flourish there?

Since the beginning of the 20th century, Venezuelan history can be divided into three major periods as far as its economic institutions are concerned: from 1908 to 1958, from 1959 to 1998, and from 1999 to the present day.

The first period was marked by the presence of dictatorships. Juan Vicente Gómez was a dictator who controlled the country for 27 years. Although corruption was not absent in his government, he sowed the seeds of a private enterprise system in the country and paid down debts, both internal and external. Price stability, low taxes and fiscal discipline were outstanding during his government, which was also characterized by the boost of economic growth after the first discovery of an important oil well in 1914 (Venezuela became the second-largest oil producer on earth after this event). While non-liberal policies were also in place, the 1920-1935 sub-period of his mandate constitutes the golden age of the Venezuelan economic liberalism. From 1935 on, governments progressively moved toward the interventionist arena. In 1939, a central bank was created and an official board to control prices was established; income and profit taxes were introduced, and several state-owned banks emerged with the purpose of fostering development. Despite all these mistakes, Venezuela experienced GDP per capita growth rates that exceeded those of West Germany's economic miracle ([FARIA, FILARDO, 2015^b](#)).

Another remarkable sub-period was that of Marcos Pérez Jiménez, from 1952 to 1958. During this dictator's mandate, most of the country's highways were built. He was well-known for his infrastructure development policies and, although Keynesianism and central planning were not absent in his practices, private property and businesses were protected, and international trade was relatively free.

On January 23rd 1958, that dictatorship was overthrown and the second major period began (1959-1998). Areas such as expression, religion, and thought began to see some freedom. Also, a universal suffrage system started to be officially implemented in a democratic

underdeveloped country². The first priority was to guarantee alternation in political power as a paramount step to establish democracy. A major deal, called *The Punto Fijo Deal*, was signed by the country's three largest parties at that moment: *Acción Democrática* (AD or Democratic Action, social-democrats); *Comité de Organización Política Electoral Independiente* (COPEI or Independent Political Electoral Organization Committee, also called Social Christian Party or Green Party, Christian democratic); and *Unión Republicana Democrática* (URD or Democratic Republican Union, classical-liberals). However, history demonstrated that URD was just a polite inclusion. The deal's main goal was to formalize the political and democratic rules Venezuela needed.

Since then, the modern democratic era showed a political scenario of two parties (AD and COPEI) alternating power for 40 years, until Lieutenant-Colonel Hugo Chávez Frías won the presidential run in 1998 and created his own political organization *Partido Socialista Unido de Venezuela* (PSUV or United Socialist Party of Venezuela). PSUV is the socialist counterpart representing the new *socialism of the 21st century*. Let us explore some relevant details of this second period:

The first president elected in December 1958 was Rómulo Betancourt (affiliated to the AD), a communist turned social democrat. During his government, a central planning office called CORDIPLAN was established, probably influenced by the apparent success the Soviet Union was reaping; income tax rate was tripled; price, rent and exchange controls were implemented; government expenditures were increased; a state-owned oil company was created; the OPEC cartel was founded by one of his cabinet members; and the local currency devalued. He also re-distributed large landholdings, with a peculiarity: new owners just received titles of use, not full ownership of the land ([FARÍA, 2008^a](#)).

By consolidating the syndicated labor force and the import-substitution policy in the country, and by demanding a majority ownership by Venezuelans from all private companies, the two presidents succeeding Betancourt, Raúl Leoni (1964-1969) (affiliated to the AD) and Rafael Caldera (1969-1974) (affiliated to COPEI), contributed to gradually closing the economy and increasing the cost of living to the average citizen.

Unfortunately, central planning got even stronger in Carlos Andrés Pérez's first term (also an AD affiliated) (1974-1979), when his government nationalized the iron and oil industries and, financed by the high oil prices of the moment, founded new state-owned companies. The central bank ended up under absolute government control in this period (it was 49% privately owned before).

² Although under a dictatorship, Venezuela exhibited some of the best economic indexes of its history during Marcos Pérez Jiménez's regime.

Luis Herrera's (a COPEI member) tenure (1979-1984) will always be remembered not only by a notorious devaluation of the local currency carried out in 1983, but also by the imposition of exchange-rate controls and the increase of external debt. Corruption was also a remarkable element of his presidential mandate and that of his successor, Jaime Lusinchi (1984-1989), an AD member, who continued his predecessors' policies.

Advised by renowned Keynesian economists, Carlos Andrés Pérez, in his second presidential period (1989-1994), attempted to get back on the road of market reforms by privatizing companies, liberating prices, reducing tariffs, and eliminating some subsidies. However, his efforts were not effective to stop inflation, reduce the cost of doing business and minimize uncertainties because, in spite of having signed an agreement with the International Monetary Fund (IMF) in 1989, his office kept devaluing the currency, and imposed new taxes.

Controls resumed and privatizations stopped in Rafael Caldera's second presidential term (1994-1999). Another agreement with the IMF was signed in 1996, which ended up resulting in more inflation, currency devaluation and new taxes.

The end of 1998, when Hugo Chávez was elected president, marks the beginning of the third major period. He initiated his mandate with the creation of a new constitution, which officially grants more power to the state and deals a big blow to private property. History has proven that he and his successor, Nicolás Maduro, have just exacerbated past mistakes. The 21st century socialism can be characterized by a series of state policies that deepened the measures taken by the former governments. [Faría \(2008\)](#), [Vera \(2015^a\)](#), [Dachevsky and Kornblihtt \(2017\)](#), and [Vaisman \(2017\)](#) point to some of these interferences and their consequences:

- Price controls, including exchange and interest rate: the mercantilist approach of devaluing the currency to a 'competitive level' became a way to facilitate exports and make the remaining entrepreneurs happy. The central bank kept the interest rates low mainly due to the political interference;
- Fiscal policy: almost always pro-cyclical, growth in the GDP came with growth in government spending, decreases in the GDP end up having large impacts;
- Monetary inflation: between 2003 and 2012 M2 grew 37-fold and reached more than 60% in 2014;
- Growth of the state with ownership and nationalization of companies: oil, steel, gas, coal, electricity, and water are either fully owned by the state or heavily regulated;
- High levels of intervention on other markets: imported goods usually carry tariffs above 35%, antidumping and safeguard laws are usually abused by politically connected entrepreneurs;

- Complex legislation on both taxes and labor that makes it harder for competitors to enter the market and almost impede workforce mobility;
- Class warfare and blaming poverty on capitalism and its “savage neoliberal economic policies”, reinforced by the mercantilist agenda;

After Pérez Jiménez’s dictatorship, Venezuela experienced several changes that consolidated a complex society in terms of its economy, education, and culture. New groups emerged, promoted by the new political reality: demographic movements left the rural sector almost abandoned; family-owned enterprises became the *new big industries* supported and boosted by politicians and government officials who built (and keep building) a mercantilist structure from a strong protectionist system. This is why [Peña, Harmath and Acevedo \(2013^c\)](#) propose the use of complex thinking for the qualitative analysis of poverty in Venezuela. Such approach encompasses views to identify and explain poverty in the real context of this country.

For 60 years, after Pérez Jiménez, the governments of Venezuela have implemented social aid programs aimed mostly at securing popular support. Although they apparently took into consideration particular development requirements and features of Latin America and Venezuela, their programs were conceived only for the short term ([ACEVEDO; et. al., 2014](#)). In other words, all governments have procrastinated in finding the real solution to poverty and other social scourges, and social programs were just demagogic and populist policies.

3. MULTIPOVERTY: A LOOK INTO TODAY’S VENEZUELA

As mentioned before, this article aims to introduce the definition of *multipoverty*, specifically for Venezuela, and shed light on the idea that, based upon such definition, all common people in that country are very likely to be poor³. Although, in our view, some economic and social indexes do not entirely capture reality, only do it in a partial manner, they can reveal enough information to build an overall picture of the dreadful conditions under which Venezuelans live. Let us explore some descriptive indicators.

While the seeds of Venezuela’s institutional destruction were sown several decades before Chávez and Maduro’s advent to power, the country’s economic and social hecatomb under their regime is undeniable. In the economic freedom arena, for instance, Venezuela exhibited the worst performance among 159 countries ranked by the Fraser Institute’s Economic Freedom of the World Index (EFW), in 2017 ([GWARTNEY; LAWSON; HALL, 2017](#)), worse than the performances

³ Within the scope of this work, common people refer to people who do not have any political connection or economic privilege granted by governments.

of very poor African countries such as the Republic of Congo, the Central African Republic, and Zimbabwe. Each of the five index components consistently reflects this notion. Venezuela holds position number 140 in Area 1 (Size of Government), 158 in the Area 2 (Legal System and Property Rights), and position 159 in Areas 3, 4 and 5 (Sound Money, Freedom to trade, and Regulation, respectively). All of the areas and the summary rating are measured on a scale from 0 to 10, where 0 denotes the lowest degree of economic freedom, while 10 denotes the highest. Countries with values closest to 10 are ranked, consequently, in the top positions of the list, while those with values closest to 0 appear in the last positions.

Venezuela's rating of 4.9 out of 10 in Area 1 supports the notion that the country relies more on political decision-making processes and government budgets than on free markets and personal choice.

In turn, its rating of 2.0 out of 10 in Area 2 is an overall indicator of how property rights and personal protection, through an unbiased judiciary system and effective law enforcement, are diminished there.

Area 3, Sound Money, is one of the most trampled components in Venezuela because it is directly associated with a relative price stability condition and with the possibilities for common people to access money with relatively stable purchasing power across time. While the modern democratic era of the country (started in 1959) was marked by progressive deterioration of the economic institutional quality, Chávez and Maduro - precisely by those presidents who promised to eliminate poverty - created and continued with substantial levels of inflation and devaluation, the longest and fiercest monetary exchange control of Venezuelan history, and the highest inflation rate on earth. In this matter, Venezuela just got a score of 1.9 out of 10 and ranked in the last position.

To see a better picture of how much the purchasing power of the local currency has been destroyed, let us make a brief digression at this point. It is worth mentioning, for example, the analysis conducted by The Troubled Currencies Project of the Cato Institute ([HANKE, 2018](#)). According to it, Venezuela officially became a verified episode of hyperinflation in the world at the end of 2016. By May 31st, 2018, contrary to the International Monetary Fund (IMF) forecasts of 12,874% for 2018's annual rate, the inflation measured by Hanke was 27,364%. This figure is a clear sign of an overwhelming artificial expansion of the money supply; prices are very volatile in Venezuela and their associated inflationary spiral seems to never stop.

Moreover, because of the monetary exchange control imposed by the government since 2003, Venezuelans have had two markets for buying foreign currency, especially US Dollars: an official, or legal, market, and a black, or illegal, market. Nowadays, only one official exchange rate is operating: DICOM, to which access is allowed through a state-supervised auction process. By the

time we write this paper, the latest DICOM rate ended up at 120,000 bolívares per US dollar. Against the backdrop of this legal benefit, to which just a few privileged elites have access, the black-market rate stands out at the level of 3,600,000 bolívares per US dollar, a thirty-fold difference. Obviously, beyond the shortage of foreign currency generated by the dramatic fall in the oil prices – which is responsible for the vast majority of exports in Venezuela – that began in 2014, many additional restrictions have been imposed to the entry of official dollars. Because of that, people are forced to divert their efforts to the black market in order to buy foreign products, which are almost unavailable in the official markets, or have access to some protection of their incomes. The price of these illegal dollars apparently becomes a sort of reference for setting local prices in bolívares, which are much higher than those that would be in place without controls; worse yet, elites with political connections exploit the perverse practice of buying dollars at official rates and selling them in the black market to profit.

To put the exchange rate situation in context, it is worth mentioning that mandatory national minimum wage as of June 2018 was at the monthly level of 3,000,000 (three million) bolívares, plus a food bonus of 2,196,000 bolívares, for a grand total of 5,196,000 bolívares per month. In other words, the Venezuelan minimum wage totals 43.3 US dollars per month – at the latest auction official rate – or 1.44 US dollars per month – at the normal black-market rate. [Cenda \(2018\)](#) calculated the cost of the Venezuelan basic food basket in June 2018 at 164,157,722.66 bolívares per month, which translates into 1,397.98 dollars in the official exchange rate or 45.59 US dollars in the black market.. This should shed light on how extremely poor Venezuelans are.

After this parenthesis to dive into the causes of the low score in Area 3, it is possible to go back to the remaining two components of the EFW index. There is not much to say about trade barriers and restrictions – above all in the international arena – except for the fact that they are abundant and significant: high tariffs, quotas, poorly administrated customs, controls on the movement of physical and human capitals, among others (see for instance Faria (2008) and [Vera \(2015^b\)](#)). Once again, Venezuela occupied the last position of the ranking, with a score of 3.3 out of 10 in Area 4.

With regard to credit market, labor market and business regulations, summarized in Area 5 of the EFW index, the story is not different: a low score of 2.4 shows the level of complexity and abundance of regulations in those three sub-components, and the last position of the world ranking again.

A quick inspection of the 2018 Doing Business (DB) Index generated by the [World Bank](#), is enough to realize how unfriendly to business such regulations are in Venezuela ([WORLD BANK GROUP, 2017](#)): the country exhibits an aggregate rating of 30.87 out of 100 and ranks in the 188th

position of the 190 countries. The highest the calculated rating is, the closest to the most business-friendly regulation frontier the country is. DB measures the processes for starting a new business, obtaining a building permit, getting an electricity connection, transferring property, paying taxes, taking a commercial dispute to court, and resolving insolvency. It also takes account of credit and equity market regulations and logistics to import and export goods.

On the other hand, Transparency International, an independent non-partisan organization present in more than 100 countries, has created and published the Corruption Perceptions Index (CPI) since 1995. The scale of the index goes from 0 (highly corrupt) to 100 (very clean); logically, very clean countries rank in the top positions of the list, while highly corrupt countries appear in the last positions. Badly functioning public institutions, people often facing bribery and extortion situations, among others, which normally rely on the misappropriation of funds and official indifference, generate low scores. Higher degrees of press freedom, access to information about public expenditures, and independent judicial systems are captured somehow in higher scores. Once again, in 2017, Venezuela showed a very poor performance ([TRANSPARENCY INTERNATIONAL, 2018](#)): out of 180 nations tracked by the CPI index, Venezuela ranked in the 169th position, scoring 18 out of 100, barely better than Afghanistan, North Korea and Somalia.

Three of the most prestigious universities of Venezuela have conducted a study on the general life conditions in the country from 2014 to 2017. Results are very descriptive ([ENCOVI, 2017](#)): extreme poverty has increased from 23.6% in 2014 to 61.2% in 2017, while overall poverty (based on income) was in 87% in 2017.

The same work reflects some overwhelming insecurity statistics: in 2017, 43 young people died violently every day. There was a registered number of 16,046 homicides, equivalent to a rate of 89 homicides for every 100,000 inhabitants. In comparison, the National Center for Health Statistics (2017) says that the US numbers are 5.5 per 100,000, and the World Bank (2015) talks about the following figures: 26.7 in Brazil, 25.5 in Colombia, 16.3 in Mexico, and 2.5 in the Venezuela's neighbor, Chile. The average number for low income countries is 7 per 100,000. Venezuela's homicide rate is almost thirteen times higher.

The applied survey also reveals that 76% of the citizens were afraid of being attacked or robbed while riding in public transportation or around the city; 61% of the people thought that they could be attacked or robbed in the streets during daytime; and 51% at home. In addition, 41% of the people thought that they needed to move from their normal place of residence because of the delinquency levels. Simultaneously, 54% of the population had a bad perception on the governmental effectiveness to fight insecurity. The security system in any country should be a

priority for governments; when people feel secure they are more likely to work, study, or do their best at their activities ([ACEVEDO; GARCÍA, 2015](#)).

With regard to healthcare, 68 people of every 100 were not covered by medical insurance in 2017; and the country exhibited the worst performance of the Americas on maternal mortality since 1998 - just better than Cuba. The study also indicates that the average citizen lost 11.4 kilograms in 2017.

As previously presented, a praxeological view of poverty considers individuals as unique and subjective actors. In this context, poverty is a continuum and will be present as long as there is a possibility of achieving a better state of satisfaction. Furthermore, the environment in which actors live will provide more or less possibilities of fulfilling the individual needs and wants and overcoming poverty. More freedom of action for individuals, such as in the United States, will provide more possibilities of escaping poverty, since people will have easier access to things that can possibly fulfill their subjective needs. On the other hand, people in less free environments (such as early 21st century Venezuela), that impede the access to everything, from basic things to more complex capital, will face enormous difficulties in overcoming poverty. Having said that, it is clear that the policies that were put in place and the consequent social-economic conditions that Venezuelans face nowadays substantially augment poverty, since they diminish the possibility of action by the individuals in trying to fulfill their personal needs. There, people lack access to the most essential commodities (such as food products) and, of course, to more complex resources. As many authors have shown (e.g. HAZLITT, 1996; [MISES, 1998^b](#); and ROTHBARD, 2009), reduced access to even the most basic capital is a direct consequence of government intervention and central economic planning, not of the market process. The Venezuelan case is a real-life application of this paper's approach to poverty.

After exploring all these descriptive statistical indicators and showing that the praxeological approach is able to present a more complete perspective, it is not irrational at all to think that it is precisely in such a depressing context that the *multipoverty* concept begins to play a fundamental role. Let us formalize the definition.

3.1 The scope of multipoverty

Following the poverty definitions provided by the [United Nations \(1995^b\)](#), [Sen \(1998^b\)](#), [Hopenhayn \(1994^b\)](#), [Ugalde \(2010^b\)](#), and Hazlitt (1996), the *multipoverty* concept analyzes society in light of an individualistic and praxeological point of view. People are social, political, spiritual, economic, biological, chemical and psychological entities who have relationships. These

interactions allow for the establishment of friendships, enmities, marriages, divorces, business partnerships, religions, scientific collaboration, crime organizations, etcetera; they build the complete structure of a society. Nevertheless, our concept is not a selfish view, because it acknowledges the importance of each person in society, and the impact – either positive or negative – that a person's behavior can have on the quality of life of their neighbors as the igniter of a chain reaction that can expand to the entire society.

That is the reason why *multipoverty* is not solely about income. Poverty under this view is the result of interrelated determinants (economic, political, humanistic, and individualistic ones). The feeling of deprivation of something real, as a car; something spiritual; or the lack of somebody (e.g. a beloved person died) as the result of a personal decision or choice, unconsciously starts the poverty process that will gradually cover all aspects of life. Consequently, any categorization of a person as poor, in light of the *multipoverty* definition, needs to consider two factors: i) the feeling of absence: something or somebody unachievable; and ii) conformism or happiness, which can increase it or diminish it.

Our concept starts from the belief that *multipoverty* is determined by different perceptions of poverty. The economic and political perceptions, which are mainly beyond the control of the individual and could be associated with oil prices, investment rates, economic freedom, infrastructure, healthcare systems, employment; and those falling into the humanistic and individualistic perceptions, which people could manage and change to adapt to their real personal situation: personal growth, religion, culture; personal choice, wants, and needs. The difference between the humanistic and individualistic perceptions is that the humanistic one is created through an external relationship, but could still be changed by the person, e.g.: the religion to which one belongs could change several times during life. The individualistic perception, in turn, is created by the person itself.

The interaction between all these perceptions of poverty will create a particular *multipoverty* status to each person, which could vary from individual to individual due to conformism or happiness, among other variables.

The concept of *multipoverty* attempts to encompass the problems of a poor society. In the dawn of poverty, some people could seem to be unaffected, but this new concept explains that all the triggers start to work, and the entire society will be inevitably touched by this scourge if the right decisions are not made on time.

Multipoverty, as indicated in previous paragraphs, goes beyond the traditional economic approach to poverty. A country characterized by a poor institutional protection of the most basic natural rights, such as property, life and liberty; notorious inefficiency to administer impartial justice;

prominent likelihood of facing bribery and extortion; perverse incentives to be exploited to the detriment of others; inefficacy to generate access high to quality healthcare and education systems (mostly based on market solutions); life expectancy in decline; high infant mortality rate; increasing undernourishment rates; uncertainty; and an exacerbated governmental interventionism in people's everyday activities; is fertile ground for the emergence of complex and, sometimes, unethical relationships and decision making processes among individuals. These could be likely to be accompanied by a hard-to-overcome moral cost, a sense of guilt or frustration when such decisions and interactions result in the loss of a loved one or in the inability to reach a relevant goal. This is aggravated if problems, such as hyperinflation, unemployment, or the scarcity of food and basic medicines – which are normally associated with the economic perception of poverty in a more direct way – take place at the same time.

We, by no means, intend to suggest that such decisions and interactions cannot occur in countries that do not have the features mentioned above, but in our view, they are much more likely to appear in countries that show those characteristics.

Since the *multipoverty* concept includes the economic aspect, as well as the humanistic and individualistic edges of poverty, it is reasonable to believe that a social system that implements and protects free markets, individual liberties and judicial transparency, not only will significantly reduce economic poverty (as the Austrian libertarians stated decades ago), but will also contribute to simplifying decisions and reducing the number of interactions that potentially impact the humanistic and individualistic sides of poverty in a negative manner. People's dreams of academic growth, professional development and entrepreneurship are potentially easier to come true in environments of business-friendly regulations, low tax burden, and general economic freedom.

Unfortunately, Venezuela combines all the negative characteristics mentioned before, and is the perfect breeding ground for a potential social explosion. Although we do not agree with their Keynesian thought, we agree on the possibility of a social conflict with some renowned intellectuals, such as professors Ricardo Hausmann, from Harvard University, and Pedro Palma, from IESA, Caracas. Ramón Espinasa, from the University of Georgetown, in Washington, and a few other researchers have suggested the same. From our point of view, there is no promising outlook for the near future in Venezuela.

CONCLUSIONS

This paper proposes the definition of *multipoverty* and how it can be used to understand the current situation in Venezuela. There is no intention of having the final word in this kind of

analysis, but the approach presented here is worth considering, given the complicated crisis in that country. Additionally, such an approach can be used to analyze and better understand other nations that could be facing similar socio-economic conditions.

The nature of the human beings is too complex to be studied under a simplistic view, represented by the rigidity of purely quantitative methods. In that realm, the authors believe that analyses based upon praxeological standpoint are more comprehensive and can serve as the starting point of further research on poverty.

This work has also shown that there is a reasonable possibility for social explosion in Venezuela. As described by relevant economic, social and security indexes, its society seems to be exhausted.

The impact of freer markets not only on reducing economic poverty, but on alleviating the humanistic and individualistic sides of poverty, has been stated as well.

It is necessary to remember that “poverty, in its various forms, represents a barrier to communication and access to services, as well as a major health risk. This explains why people living in poverty are particularly vulnerable to the consequences of disasters and conflicts” ([UNITED NATIONS, 1995^c](#), p.41). In this respect, this article opens the possibility of conducting further research on the *multipoverty* field both in Venezuela and beyond.

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