

SESSION 4: CORPORATE GOVERNANCE AND RELATED ISSUES

THE ROLE OF MONEY IN HYPERINFLATION VENEZUELA

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Abstract

This literature review covers what has been written on hyperinflation in Venezuela, from the 1980s to the present day. Particular emphasis is placed on the role of cryptocurrency in the country and how the Venezuelan government has been using crypto, specifically the Petro, as a means to avoid further blunders with hyperinflation. From Hugo Chavez and “Socialism in the 21st Century” to the current regime of Nicolas Maduro, Chavez’ successor, the printing of money in Venezuela has sky-rocketed to the point of the government needing cryptocurrency, such as Bitcoin, as a means of circumventing inflation to fund the government’s ambitious social projects. A key element in its success, however, will be whether the Venezuelan people will opt to use the government-backed Petro, or whether they will opt to use a different, decentralized alternative digital currency to avoid the perils of hyperinflation. The study will examine this issue from several diverse points of view: specifically, the Austrian School (Echarte Fernández, Hernández, & Zambrano, 2018), the neo-Keynesian school (Pagliacci & Barráez, 2010), and public policy and institutional perspective (Corrales, 1999), among others. The research also includes a section for future research, including the rate and sustainability of entrepreneurship as the country shifts into a more free market-oriented regime change, the ‘network effects’ as new cryptocurrencies are introduced that rival Bitcoin, and whether the U.S. and other Western countries would

support the transition to cryptocurrency not run by the Maduro government as a means of liberating the oppressed Venezuelan people. The use of cryptocurrencies by governments, in particular socialist governments, is a new occurrence and merits much attention for the future of public and monetary policy in those countries.

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