

Poison Is Poisonous

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Venezuela's socialist economy has been collapsing.

No big mystery. If, out of hostility to capitalism, a society keeps destroying everything that production, trade, and prosperity depend upon, the economy suffers. The benefits of markets don't flow no matter what.

One assault has taken the form of hyperinflation — runaway printing of currency, done in part to dissolve government debt. Many Venezuelans are resorting to barter. It's easy to understand why.

The massive expansion of Venezuela's money supply is what's causing massive jumps in prices. Just like any other economic good, the medium of exchange is subject to the laws of supply and demand.

Or is it? A Reuters reporter says that economists say that "the central bank [of Venezuela] has not printed bills fast enough to keep up with inflation, which . . . reached



an annual rate of almost 25,000 percent in May."

So go faster!?

Dude. Dude. The massive expansion of Venezuela's money supply is what's *causing* massive jumps in prices. Just like any other economic good, the medium of exchange is subject to the laws of supply and demand.

Other things being equal, enormously increasing a supply of a good will enormously lower its market value or price. Money, too, has a price — in terms of the non-monetary goods being bought. If the pre-hyperinflation price of a dollar in terms of bread is one loaf and the post-hyperinflation price is one bread crumb, you won't reverse the decline by printing even more dollars or bolívares even faster.

If you're ingesting poison, you can't fight the effects by being poisoned more and harder. The very first thing to do is stop ingesting the poison.

This is Common Sense. I'm Paul Jacob.