

Carlos Dorado suggests an economy only in dollars), similar to the Panamanian model, to fight against inflation

Annualized inflation for 2022 in Venezuela was estimated at 305.7%, according to a report from the Venezuelan Finance Observatory.

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“

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Carlos Dorado

[compilation](#), the annualized inflation rate of 305.7% exceeded both the devaluation rate of the bolivar in the official market (275%) and the parallel market (293%).

These pronounced accelerations in inflation that have been registered since September 2022 could place the Venezuelan economy in danger of a hyperinflationary outbreak.

In such a scenario, [Carlos Dorado](#) , president of [Italbank](#) and vice president of Italcambio, points out that he has

always been a supporter of having a strong currency, due to the fact that it is very difficult to fight inflationary processes in countries where there is not a very rigid monetary policy. and a positive balance of payments, and high productivity.

"The consequence of the above is that the country is subjected to the worst enemy of the economy for its inhabitants, such as inflation, which affects the most needy classes to a greater extent," he explains.

What can the ordinary Venezuelan hope for?

Carlos Dorado: Right now we have three major currencies that dominate the international trade market: dollar, euro and yuan. But we are talking about the three largest economies in the world. Pretending that a small economy, and above all without efficiency in those variables that give stability to their economies, is for me an illusion, which is only justified by maintaining the supposed independence or monetary sovereignty. But at what cost? Who pays it?

bi-currency economy

Dollarization, more than the result of an economic policy, is the consequence of a rational reaction of economic agents in the face of an inflationary economy with low credibility in fiscal and monetary institutions.

The government's tolerance of such dollarization is simply the official recognition of a process that has already been consolidated in the goods, services, factor, and even financial markets, says a UCAB publication.

In this sense, is Venezuela a "bi-monetary economy" in the process of consolidation?

Carlos Dorado: It is a very interesting historical process, and we are in the middle of the river. In the sense that a good part of the economy moves in dollars and the other continues in bolivars, and this can be the worst of both worlds, because you not only have inflation in bolivars, but also in dollars.



Carlos Dorado - President Italtank International

For this reason, and from my point of view, we have to cross the river to the other side, since the process that began could be very difficult and with disastrous consequences if we return.

For which, and always from my point of view, the Panama model should be copied a bit, in the sense that the entire economy is made in dollars (or in a strong currency) and is established for accounting purposes and have the alternative in the future of abandoning it, of establishing accounting in bolivars, with one-to-one parity, just like the balboa.

What advantages and disadvantages could de facto dollarization have for Venezuela?

Carlos Dorado: When you have a currency that is devalued, this brings inflation as a consequence, especially if you are an importing country on the one hand.

The worst consequence of the above, from my point of view, is that it turns the economy into a cash economy. Where credit in the medium and long term ceases to exist due to the uncertainty of how the exchange rate will be in the future.

The above after as a consequence that people cannot access a home, a car, because they do not obtain a long-term credit that allows it. You have to save, but the problem is that inflation eats up your savings and you never have enough money to buy it with cash.

The investor, on the other hand, does not invest in projects in the medium and long term in the face of uncertainty, and only in those that generate a quick return, which are usually the most speculative.

With the above, the country is deprived of a lot of national and foreign investment that faces large projects, great stimulators of employment and the well-being of society.

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