Díaz Burzual confirmed that the government had adopted the monetarist policy of "combating inflation" at the expense of economic growth—despite the objections of some other members of the cabinet. As a recent cable from the U.S. Embassy in Caracas to the Department of Commerce put it: "Terming the fight against inflation not completely compatible with growth, Díaz Bruzual said the BCV [central bank—ed.] had chosen to fight inflation and had met with success."

The success Díaz Bruzual is claiming is that the 1980 inflation rate of nearly 22 percent (foodstuffs rose at the dangerous rate of 39 percent) had been cut in 1981 to 16 percent. But the fact of the matter is that inflation had been steady at 6-7 percent up through 1978, and then shot upwards as a result of Herrera's anti-growth economic policies. One of the causes of the skyrocketing inflation rate—aside from international factors such as the run-up in world interest rates caused by Volcker's policies—is that Herrera shifted the direction of government spending away from productive investment projects, and into unproductive areas like services and debt repayment. Thus, we have the following comparative table:

Percent of government spending by area

	1974-78	1979-81
Investment	42.7	26.0
Services	52.7	63.5
Debt service	4.6	10.0

The rise in debt service payments shown in the last row of the above table, translated into the following performance of Venezuela's debt service ratio (the interest and amortization on foreign debt as a percentage of foreign exchange earnings from the export of goods and services):

Venezuela's debt service ratio

Year	Percent
1975	5.8
1976	4.2
1977	8.1
1978	7.6
1979	10.4
1980	12.0
1981	28.7

Throughout this period, the Herrera administration also adopted monetary and fiscal policies which facilitated a tremendous flight of capital out of Venezuela and into (especially) the Florida real-estate market. Some sources estimate that as much as $6 billion in Venezuelan resources are today tied up in speculative activities in Florida.

Sectoral forecasts

Oil: Venezuela's petroleum output has for the past years fluctuated in the range of 2.0-2.2 million bpd, with the vast majority of this being exported: only 250,000 bpd or so are consumed internally. In 1980, crude-oil output dropped from 2.356 million bpd to 2.168 million bpd (−8 percent), and for 1981, the Central Bank announced there had been another reduction of 3.9 percent. Now production has dropped to 1.7 million bpd.

Short- to medium-term prospects on this line are grim for Venezuela, as for other oil exporters, due to the marketing problems created by the world reduction in energy consumption. Venezuela may benefit relative to other oil exporters, due to its geographical and political proximity to the United States, but this will in no way solve Venezuela's problem. In fact, already the United States is refusing to purchase the quantities of crude Venezuela would like to sell.

Over the longer term, Venezuela will experience aggravated difficulties in the oil sector, due to minimal investment in further oil exploration. At present, most

Venezuelan economist calls for exchange controls

One of the most outspoken voices on behalf of high-technology industrial development in Venezuela has been that of Dr. Gumersindo Rodríguez, Planning Minister from 1974 to 1977 under Carlos Andrés Pérez. Rodríguez was the intellectual author of Pérez's ambitious "V Plan" development strategy, and today remains an influential policy voice in the Acción Democrática (AD) party. In a mid-January interview with one of Venezuela's regional newspapers, *El Informador* of Barquisimeto, Rodríguez stated:

"I believe that the next government of Venezuela . . . faces the responsibility of ensuring a rate of growth of the economy that increases employment and real income in the population, without at the same time weakening the Venezuelan currency. . . .

"I believe that that policy must be based on a re-expansion of the economy to bring it to a higher rate of growth. . . .

"To avoid the flight of capital abroad and the excessive spending of foreign currency, we must inevitably impose exchange controls. One measure I would suggest within those controls is the adoption of a strong tax on foreign travel. It is necessary to make the tourist dollar more expensive. Currently, we Venezuelans are spending $1.5 billion [per year] on foreign travel."