

Venezuela's economic recovery of 2019-2025: De facto dollarisation and the limits of commercial expansion

José U. Mora, Rafael Acevedo, Alberto Hurtado

Sul Ross State University, Creighton University, Universidad Cooperativa de Colombia

Abstract

This article examines whether Venezuela's apparent economic recovery since 2019 reflects genuine structural improvement or merely a temporary, consumption-driven boom rooted in de facto dollarisation and informal rent circuits. Using data from the IMF, ENCOVI, and international reports, along with an institutional-economics framework, we analyse macroeconomic indicators, trade patterns, and distributional effects to assess the depth and sustainability of recent growth. The evidence indicates that the post-2019 expansion has been largely commercial, concentrated in a narrow, dollarized market segment linked to the Maduro government and sustained by non-productive inflows, such as remittances, rents, and illicit transactions. While real GDP grew moderately between 2021 and 2025, investment, capital formation, and employment remain severely depressed, suggesting that the observed recovery is fragile and unsustainable. The findings reveal that Venezuela's economy continues to suffer from institutional decay, inequality, and persistent dependence on external rents, leaving it far from regaining its pre-2014 output levels or establishing a foundation for long-term development. *Keywords:* Dollarisation, institutional economics, hyperinflation, Venezuela, economic recovery.

Resumen: La recuperación económica venezolana de 2019-2025: Dolarización de facto y los límites de la expansión comercial

Este artículo examina si la aparente recuperación económica de Venezuela desde 2019 refleja una mejora estructural real o simplemente un auge temporal impulsado por el consumo, arraigado en la dolarización de facto y en circuitos de renta informales. Utilizando datos del FMI, de la ENCOVI e informes internacionales, junto con un enfoque de economía institucional, analizamos los indicadores macroeconómicos, los patrones comerciales y los efectos distributivos para evaluar la profundidad y la sostenibilidad del crecimiento reciente. La evidencia indica que la expansión posterior a 2019 ha sido principalmente comercial, concentrada en un nicho de mercado dolarizado vinculado al gobierno de Maduro, y sostenida por flujos de entrada no productivos, como remesas, rentas y transacciones ilícitas. Aunque el PIB real creció moderadamente entre 2021 y 2025, la inversión, la formación de capital y el empleo siguen gravemente deprimidos, lo que sugiere que la recuperación es frágil e insostenible. Los hallazgos revelan que la economía venezolana sigue sufriendo deterioro institucional, desigualdad y una persistente dependencia de las rentas externas, lo que la aleja de recuperar sus niveles de producción previos a 2014 o de establecer una base para el desarrollo a largo plazo.

Palabras clave: Dolarización, economía institucional, hiperinflación, Venezuela, recuperación económica.

Introduction

Does the commercial boom observed in Venezuela between 2019 and 2025 represent a genuine economic recovery, or is it a distorted byproduct of de facto dollarisation, illicit rent circuits, and political patronage? With the fall in commodity prices in 2014, especially the decline in oil prices, Venezuela entered the most severe economic, political, and social crisis in Latin American history over the last 80 years (Bull & Rosales, 2020a; Corrales, 2020). Although Venezuela's economic model had long contained statist and interventionist features rooted in the social-democratic and social-Christian consensus of the Punto Fijo era, Hugo Chávez radicalised and deepened this legacy by expanding state control, weakening property rights, politicising redistribution, and moving the economy toward a more centralised socialist framework. Through the five engines of the revolution and different laws and decrees, such as the Labor Organic Law, the Organic Law on Fair Costs and Prices, the Law on Expropriation for Public or Social Purposes, and the expansion of the Organic Law of Communal Councils (Araujo, 2010; Rangel, 2010; Corrales & Penfold, 2011), the institutional structure of the economy became increasingly interventionist. Nicolás Maduro inherited this increasingly fragile system and presided over its collapse as fiscal exhaustion, monetary disorder, and institutional decay intensified (Briceño Ruiz & Lehmann, 2021).

With declining oil revenue, the fiscal resources that had sustained the distribution of resources through the communal councils and “social programs”, which constituted the main electoral support to the government of Nicolás Maduro, were exhausted (Mora C. et al., 2017; Rangel, 2017; Briceño Ruiz & Lehmann, 2021; Bull & Rosales, 2020b; Mora et al., 2021). For a long time, these programs created the illusion that Chávez's policies were transforming the economy's structure and that improved income distribution resulted from such reforms (Gutiérrez, 2017). However, the 2014 commodity shock revealed the system's structural fragility, shattering these perceptions for most of the population (Briceño Ruiz & Lehmann, 2021). This systemic failure was not merely fiscal; it was epistemological. As Mises (1944) warned, when planners replace market prices with centralised allocation, economic calculation fails. Under these conditions, policy misjudgments multiplied, and capital misallocation became systemic. The illusion of stability masked deeper malinvestments, visible only once external revenues contracted, exposing the fragility of a consumption-driven welfare state without productive reinvestment.

The facts that have distinguished this crisis are diverse. First, the crisis has been characterised by a progressive deterioration of economic freedom and political institutions. These are reflected in the growing fiscal deficit (Hurtado & Zerpa, 2019) driven by parallel (discretionary) spending administered by the

government through the communal councils, with extra-budgetary resources (Corrales & Penfold, 2011; Rangel, 2017; Mora et al., 2021), a central bank that significantly lost its autonomy and credibility, becoming unable to conduct effective monetary policy (Urdaneta et al., 2019), institutional dysfunction compounded by the existence of two competing national assemblies, rival supreme courts, and contested presidential authority during 2019 (Straka, 2017; Luhnow, Forero, & Córdoba, 2019), along with allegations of electoral fraud in July 2024, and the disputed inauguration of Nicolas Maduro (Schmidt, 2025). Second, the crisis has manifested in a severe economic depression marked by prolonged hyperinflation, de facto dollarisation, the collapse of productive investment and the capital stock (Abuelafia & Saboin, 2020; Briceño-Ruiz & Lehmann, 2021), and a vertiginous fall in real wages and employment, among other effects. Third, these manifestations of the crisis have inescapably affected the middle class, the lower class, and, even more strongly, the population in poverty (Mora C. et al., 2017). This deterioration has produced a massive migration of Venezuelans under very unfavourable conditions to neighbouring South American,¹ Caribbean, European, and North American countries (Edwards, 2019; Briceño-Ruiz & Lehmann, 2021).

However, an unexpected increment in commercial activity between 2019 and 2025 attracted attention domestically and internationally. This phenomenon has been made evident by the appearance of a significant number of stores, such as electronics, brand-name clothing and jewellery, high-value vehicle dealerships, supermarkets and neighbourhood stores stocked with national and some imported goods (Portafolio, 2020) and, finally, luxury supermarkets, such as Megasis, derived from the cooperative relations between investors from Iran and Venezuela (Olmo, 2020), where very expensive domestically produced and imported consumer products are sold (Otero, 2020). Initially, this took place in an economic context in which people and companies progressively adopted the dollar and other foreign currencies, such as the Euro, the Colombian peso, and cryptocurrencies, as means of payment and stores of value.

Yet this apparent recovery raises a core puzzle: if economic fundamentals remain weak, how can such a commercial expansion be sustained? Is this a recovery in name only, facilitated not by institutional reform or capital formation, but by rent-seeking, illicit finance, and policy evasion? We argue that these changes were not a result of formal macroeconomic reforms. Instead, they were primarily driven by the gradual relaxation of restrictions, including the removal of price controls, exchange controls, and, in some instances, the elimination of barriers to conducting transactions in foreign currency.² Between 2021 and 2023, real Gross Domestic Product grew at an average rate of around 4.3 per cent. By 2023, more than 50 per cent of transactions were conducted in dollars, and the exchange rate differential between the official rate and the parallel market was relatively small. Nonetheless, restrictions on economic and political freedom have recently increased. The government reimposed controls over

pricing at the official exchange rate, introduced new taxes on dollar transactions, and intensified enforcement measures. In parallel, political tensions escalated following the disputed 2024 elections, a renewed wave of repression, and rising political imprisonment – all contributing to a resurgence in emigration and widening exchange rate disparities. Given these conditions, this study explores whether Venezuela's recent boom signals a genuine economic recovery or merely reflects a shallow, uneven commercial upturn. Drawing on macroeconomic data, structural indicators, and institutional dynamics, we interpret macroeconomic and monetary developments through a theoretical lens, focusing on the implications of informal dollarisation, trade asymmetries, and policy distortions for long-term viability.

Hyperinflation and the de facto dollarisation of the economy

Venezuela presents a textbook case of monetary collapse leading to spontaneous dollarisation, where economic agents, lacking institutional trust, turn to alternative currencies to restore the basic functions of money. Dollarisation is the phenomenon in which a foreign currency begins to fulfil the functions that traditionally belong to a national currency: medium of exchange, store of value, and unit of account. Dollarisation refers not only to using the dollar as the official currency but also to the three roles typically associated with money. It also includes using a stable currency, such as the dollar, euro, or another currency deemed safe and dependable, to conduct transactions and preserve value within the economy. This allows economic agents to protect themselves from the loss of purchasing power of the local currency that comes with inflation. In this way, it reflects a broader process of currency substitution that arises when confidence in the national currency deteriorates (Schuler, 1999; León Rojas, 2000; Feige, 2003; Shinichi, 2007; Levy-Yeyati, 2021).

From a technical point of view, dollarisation can originate on either the supply side or the demand side of the economy. In the former case, it is through a political and economic decision in which the central bank is stripped of its authority and discretion to issue local currency, and a hard currency is legally adopted as the official currency, as has been the case in Ecuador, El Salvador, and Guatemala. On the demand side, the de facto dollarization occurs when economic agents progressively begin to adopt a hard currency as a means of payment and store of value due to the accelerated depreciation of the local currency, as occurred in Bolivia during the hyperinflation of the mid-1980s or in Panama, where the constitution does not allow the status of legal tender to any currency, but the dollar has been freely used and preferred in all transactions together with the Balboa since 1904.

The circumstances that led to dollarisation in Venezuela can differ, but some factors might be present in both de facto and official dollarisation. In de facto dollarisation, monetary authorities do not directly intervene, and although the domestic currency is still legally recognised, people prefer to conduct

transactions in foreign currency. Economies experiencing this process typically exhibit the following characteristics: 1) most transactions are conducted in foreign currency; 2) most prices are denominated in dollars or are indexed to the highest exchange rate; 3) savings are held in foreign currency; 4) there is poor monetary performance, which undermines the credibility of both monetary authorities and the domestic currency; 5) the collection of seigniorage from issuing domestic currency is low; and 6) there are constant inflationary pressures and a limited ability to implement monetary policies without facing financial risks (Hurtado et al., 2019; Schuler, 1999; León Rojas, 2000). On the other hand, official dollarisation involves local authorities recognising the costs and benefits of replacing the national currency with a foreign one, particularly a strong currency. If local monetary authorities implement dollarisation unilaterally, they conduct no negotiations with the issuing country of the foreign currency about the objectives and monetary policy instruments to be used (Schuler, 1999).

In a *de facto* dollarisation, the demand for foreign currency grows and begins to replace the country's legal tender. Among the characteristics that give rise to a *de facto* dollarization are that most transactions are carried out in foreign currency, prices are fixed in dollars (or any other currency) at the highest exchange rate, savings are made in foreign currency, financial markets stop their financial intermediation functions completely, remittances are implemented as a private supply channel of foreign currencies, and credibility of the central bank deteriorates as a result of its inability to control acute inflation or hyperinflationary processes, among others (Schuler, 1999; León Rojas, 2000; Feige, 2003; Shinichi, 2007; Levy-Yeyati, 2021). Once the public loses confidence in the domestic currency, authorities typically lose the capacity to enforce its use, regardless of formal policy tools, because they have lost sufficient credibility to prevent the local currency from being depreciated. Faced with these events, central banks have on several occasions opted to establish dollarisation schemes (as in some Eastern European countries) or currency boards, as occurred in Argentina, Estonia, Lithuania, and Bulgaria in the 1990s (Enoch & Gulde, 1998), which were quite successful in achieving economic stabilisation.

Dollarisation has become more prevalent in Latin America and transition economies since the 1990s. Countries such as Ecuador since 2000 and El Salvador since 2001 are officially dollarised economies (Edwards, 2006), while a group of countries accepts the U.S. dollar through bi-monetary systems (Panama and Guatemala, for example) or *de facto* dollarisation (Argentina). Countries such as Cambodia, Lao PDR, and Vietnam in East Asia, and Kazakhstan, Azerbaijan, and Georgia in Eastern Europe, adopted foreign currencies during their transition to market economies, and Zimbabwe (in 2009) adopted them to eliminate hyperinflation and restore economic stability. In Venezuela's case, dollarisation emerged not through policy reform, but as an institutional bypass, an informal market mechanism for survival in the face of a non-credible central bank and a collapsing monetary base. While the process initially developed as a

bottom-up response to monetary collapse, relaxed government controls later facilitated it. Beginning in 2019, the Venezuelan government gradually relaxed the enforcement of restrictions on foreign-currency transactions, allowing businesses to quote prices in dollars and permitting the wider circulation of foreign cash in retail markets (Olmos & Ledezma, 2024; Rosales, 2019). This shift did not constitute a formal policy of dollarisation or a deliberate monetary reform; rather, it represented a pragmatic but reluctant tolerance of currency substitution, driven more by the government's limited capacity to enforce monetary controls during the crisis than by any intentional policy reform (Bull & Rosales, 2020b; Levy-Yeyati, 2021).

In the Venezuelan-style dollarisation, cryptocurrencies have taken on a prominent role as a substitute for the Bolívar, a payment mechanism, a source of public funds, an alternative for overcoming the financial blockade, and a secure means of sending remittances. This, through the commodity-backed public cryptocurrency, the petro, which legalised cryptocurrency mining in the country, signalled the decline of the Venezuelan rentier state and created space for improvised economic survival and speculation (Rosales, 2019; Rosales et al., 2024). This environment enabled private individuals to mine cryptocurrencies and take advantage of their flexibility, including payment options and the ability to exchange them for foreign currency. Cryptocurrency exchanges such as Binance, OKX, KuCoin, Paxful, Kraken, Bitget, BingX, LocalBitcoins, and Coinbase facilitated this. In particular, Binance has displaced Zelle as the primary method for sending money to Venezuela, enabling daily identification of a reference price for the parallel dollar since 2024. (Olmos and Ledezma, 2024). Additionally, stablecoins, which are cryptocurrencies pegged to the U.S. dollar, have become a reliable means of sending remittances to the country through trusted intermediaries (Fast, 2021; Hurtado Briceño, Molina Durán, & Zepa de Hurtado, 2023; Robins, 2025), highlighting fintech companies such as Crixto Pay, Kontigo App, Muney App, Binance P2P, Orinoco Pay, Syklo, Billetera P2P, Global66, and Retorna, among others.

The collapse of the monetary system and central bank credibility became more evident with the surge of Hyperinflation. Hyperinflation is the term economists use to describe inflationary processes in which the monthly growth rate of the price level exceeds 50 per cent. Hanke & Krus (2013) use a much more rigorous rule to define this economic phenomenon. They argue that hyperinflation occurs when the daily inflation rate exceeds 50 per cent for at least 30 consecutive days (Hanke & Bushnell, 2017). For this, they use relative purchasing power parity (PPP), the parallel-market exchange rate in the absence of credible official statistics, and the inflation rate of the country whose currency substitutes for the local currency. According to their calculations, Venezuela has had two episodes of hyperinflation since November 2016. The first (albeit intermittent) occurred between November 2016 and February 2019 and is the fifth-longest-lasting in world economic history (27 months).³ The monthly inflation rate peaked at 219.72 per cent on November 30, 2016 (Hanke & Bushnell, 2017).

The second started in April 2020, and as of October 31, 2020, the inflation rate, which had already declined, was 2,265 per cent per year.⁴ By October 2025, recent political, social, and economic developments had increased inflationary pressures, with the International Monetary Fund (IMF) estimating inflation to reach 548.6 per cent by the end of the year, as shown in Table 1.

Table 1. Countries with the highest inflation rates as of October 2025 (%)

Country	2020	2021	2022	2023	2024	2025
Lebanon	145.9	224.4	122.0	192.3	n/a	n/a
Venezuela*	2959.8	686.4	234.0	190.0	47.2	548.6
Sudan	269.3	318.2	87.3	113.3	151.1	49.0
Islamic Rep of Iran	48.8	34.2	54.1	32.2	37.1	45.0
Türkiye	14.6	36.1	64.3	64.8	44.4	31.0
Zimbabwe	348.6	60.7	243.8	778.8	686.8	30.7
Myanmar	2.6	17.3	28.6	25.3	28.0	30.0
Haiti	25.2	13.1	38.7	31.8	27.9	29.4
Argentina	36.1	50.9	94.8	211.4	117.8	28.0
Malawi	7.6	11.5	25.4	34.5	28.1	27.7

Source: [https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.RES:WEO\(9.0.0\)](https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.RES:WEO(9.0.0)). * The redenomination of the new sovereign Bolivar to the old hard Bolivar is 1:100,000

In this context, repeated monetary reconversions were conducted to adjust the Bolivar's nominal value. The first reconversion took place on January 1, 2008, when the National Assembly of Venezuela (2007), through Decree No. 5,229 issued by President Hugo Chávez on March 6, 2007, eliminated three zeros from the currency's nominal denomination, creating a new currency called the Bolivar fuerte (hard Bolivar, Bs.F.). In 2016, higher denomination banknotes were introduced, and two years later, on August 20, 2018, a second monetary reconversion occurred under Decree No. 3,548 of the National Assembly of Venezuela (2018). This reconversion eliminated five additional zeros, meaning that a Bs.F. 100,000 banknote was converted to one sovereign Bolivar (Bs.F.100,000 = Bs.S.1). With the approval of the National Assembly (2021), the government of Nicolas Maduro introduced the latest denomination for the Venezuelan currency: the digital Bolivar (Bs.D). In this system, one million sovereign Bolivars became equivalent to one digital Bolivar (Bs.S.1,000,000 = Bs.D.1). Currently, both the sovereign Bolivar and the digital Bolivar coexist in Venezuela. These reforms have heightened expectations of further depreciation, leading to a severe cash shortage and encouraging parallel market behaviour. As a result, physical cash in Bolivar has been traded at significant premiums over electronic Bolivar, for instance, at a rate of 2:1. This means that one sovereign Bolivar in cash

effectively costs two sovereign Bolivars when transferred electronically, due to the necessity of cash for small transactions.⁵

The spontaneous dollarisation process aligns with the monetary dynamics discussed by White (1999). He explains that in countries experiencing high inflation and a lack of confidence in the local currency, individuals look for alternatives that fulfil the functions of money more effectively. In the absence of legal-tender enforcement, currency competition can develop organically, much as was observed during Argentina's dollarisation phase (Schuler, 1999). This outcome reinforces Hayek's (1976) vision of denationalised currency competition: when the state fails to preserve monetary value, individuals create decentralised monetary orders. Amid hyperinflation, the Venezuelan economy gradually accelerated its dollarisation. Because of the rapid loss of value of the Bolivar as a store of value and the scarcity of cash, products began to be sold in foreign currency, while individuals and companies were forced to carry out their transactions using dollars, Colombian pesos, and euros, which they kept as assets or a store of value. All this occurred amid the easing of economic restrictions by Nicolas Maduro's government. Consequently, this dollarisation was driven by market behaviour rather than formal policy, fitting the model of market-led substitution. Agents responded pragmatically to institutional decay by shifting toward currencies that better fulfilled money's classical functions – an organic adjustment toward informal monetary order. As dollarisation accelerated, shortages began to decrease because the little output produced in the country began to be sold in local markets. Such production was not diverted to neighbouring countries, where, between 2015 and 2018, it was sold at higher prices; rather, with the upsurge in local trade, smuggling decreased.

As Menger (2007) would anticipate, individuals restored economic order from the bottom up, seeking the most saleable good (foreign currency) once the national medium ceased to serve that function. Economic agents naturally look for alternative channels to preserve exchange and value, even under heavy regulatory constraints. Accordingly, by 2019, although products were labelled in sovereign Bolivars (Bolívar Soberano), many were priced effectively in foreign currency at parallel exchange rates. Social networks facilitated real-time tracking of exchange rates for the U.S. dollar, Euro, and Colombian peso. This environment fostered a commercial resurgence characterised by retail outlets selling imported goods – liquor, luxury items, and fuel – available in foreign currency at nearly international prices. More recently, debates have emerged regarding the economic orientation of Delcy Rodríguez, who assumed an interim presidential role following the political developments of January 3, 2026. Analysts disagree on how to interpret her approach to economic management. Some observers characterise her recent policy adjustments, such as continued tolerance of dollar transactions, limited easing of import restrictions, selective regulatory flexibility, and a more accommodating stance toward international negotiations, as pragmatic efforts to stabilise commercial activity. Others argue that these measures reflect improvisation rather than a coherent reform strategy, noting that

core institutional distortions, including weak property rights, regulatory discretion, and monetary instability, remain largely unchanged. Venezuela's recent policy adjustments reflect a type of limited economic accommodation typically seen in authoritarian systems. In these contexts, governments selectively ease controls to prevent economic collapse without implementing deeper institutional reforms (Guriev & Treisman, 2022). From this perspective, the modest recovery in some commercial sectors may reflect a temporary adjustment within an informal, dollarized environment rather than signalling the start of a sustained economic takeoff.

The reality behind the commercial boom

The apparent commercial revival in Venezuela between 2019 and 2025 has attracted significant attention. However, beneath the surface lies a fragile and segmented economic structure. Media representations, amplified by state-aligned channels,⁶ contributed to a perception of recovery that broader economic indicators did not reflect. These developments inevitably led to several questions. If, due to hyperinflation, Venezuelans' real income was significantly reduced, how can this increase in commercial activity be explained? How is demand constituted so that these businesses are profitable? What percentage of the population can buy or acquire their products? What are the causes of the increase in product supply?

To answer these questions, it is necessary to analyse the conditions under which these markets developed; for example, it is necessary to study the demand and supply structure. On the one hand, the composition of demand varies. To understand this, it is important to keep in mind that since 2015, the United States government has been imposing political and economic sanctions on the military and senior authorities of the Venezuelan government, as well as on politicians, military personnel, and businessmen who maintained important business or political relations with the government of Nicolás Maduro.⁷ The first sanctions, in 2015, involved the US government revoking visas for military personnel and officials of the Maduro government. Subsequently, the United States froze the assets abroad of individuals and companies that maintained negotiations or relationships with the Maduro administration,⁸ or those who had participated in activities of repression and violation of human rights, usurpation of functions, corruption, money laundering, and even drug trafficking.⁹ In the face of these events, many were forced to remain in Venezuelan territory and use their resources to purchase properties in countries allied to the Venezuelan government or to spend resources in foreign currency within Venezuela.

Similarly, foreign remittances increased in U.S. dollars, euros, Colombian pesos, and cryptocurrencies (via crypto exchanges) such as Binance, OKX, and KuCoin, among others. This increase is attributable, among other factors, to remittance destinations and intended uses. In this regard, by 2021, the country

received approximately \$3.5 billion in remittances, with a particular focus on mothers and fathers, who primarily used them for living expenses, healthcare, and debt repayment (Maldonado & Flores, 2021). Although 18 per cent of the Venezuelan population received these funds, this flow tends to benefit high-income households more, with remittances accounting for a larger proportion of monthly income than in low-income households (Zambrano et al., 2022). This trend intensified in 2024, when 35 per cent of Venezuelan households received \$3.8 billion in remittances to cover living expenses, debt repayment, emergency aid, and extraordinary expenses. Family remittances will consolidate as one of the largest external financial flows in Venezuela's ailing economy (López, 2025; Banca y Negocios, 2025). This increase in financial inflows from abroad is driven primarily by rising migration and migrants' remittance behaviour, as they support households in Venezuela in response to adverse macroeconomic conditions (Robins, 2026). This trend has a noticeable impact on inequality in the country. Similarly, this demand is also made up of military and other individuals who have formed complex mafias dedicated to money laundering¹⁰ (Bull & Rosales, 2020b), corruption or extortion activities, and middle- and high-ranking public employees, private-sector workers paid in dollars, and low-paid professionals who have been working as teleworkers or freelancers.¹¹ These are the people who have access to those markets.

It is sometimes argued that Venezuela's economic collapse can be explained primarily by external factors, particularly the fall in oil prices that significantly reduced imports of goods and agricultural inputs (Rodríguez, 2025) and the imposition of international sanctions, which worsened the economic and social conditions of Venezuelans (Rodríguez, 2024), by limiting access to credit in international markets (Oliveros, 2020). However, a brief comparison with Iran suggests that this explanation is incomplete. Both Iran and Venezuela are oil-dependent economies that have faced extensive sanctions and restrictions on access to international financial markets. Yet their macroeconomic trajectories differ markedly. While Iran has experienced sustained inflation and significant macroeconomic pressure under sanctions, its monetary system has continued to function without the prolonged hyperinflation or widespread currency substitution observed in Venezuela (Laudati & Pesaran, 2012; Farzanegan, 2013). This contrast indicates that although sanctions and oil-price volatility intensified economic pressures, the depth of Venezuela's collapse was largely shaped by domestic policy decisions and institutional deterioration that began during the Chávez administration.

According to the National Survey of Living Conditions (ENCOVI, Universidad Católica Andrés Bello [UCAB], 2024), in 2021 approximately 70 per cent of households faced multiple vulnerabilities, with education, health, housing, and income as the main dimensions of deprivation. By 2024, ENCOVI reports that poverty slightly decreased, but volatility in the second half of 2024 and increased restrictions on foreign currency use could reverse the trend observed after 2022. This duality exemplifies a fragmented economy: a high-consumption

enclave amid widespread poverty. This dynamic reflects the emergence of a dual economy, a common feature in structurally segmented markets. On one side, a narrow enclave of dollarized, high-consumption actors sustains localised demand patterns. On the other hand, the vast majority remain embedded in informal, subsistence-level transactions. This structural duality undermines using commercial growth as a proxy for macroeconomic recovery.

The observed distributional asymmetries can be understood, following Huerta de Soto (2006), from a Cantillon-like perspective. The earliest recipients of foreign currency inflows – whether from salaries, rents, remittances, or illicit channels – experience relative gains in purchasing power. This shift in purchasing power influences local price structures and alters consumption patterns. However, this mechanism operates outside formal monetary policy channels and is embedded in institutional weakness, limiting its developmental spillover. This situation does not indicate a widespread market recovery; instead, it reveals a dual economy. In this system, informal wealth channels support high-income consumption as the economy fragments. In this fragmented economy, informal or extra-legal currency circuits sustain certain consumption enclaves that are disconnected from productive reinvestment and broad-based growth.

To understand the composition of supply, on the other hand, we must examine whether incentives stimulate employment and capital accumulation. If production conditions are favourable, we should see a significant increase in both employment and investment. However, if those conditions are not met, we can expect to see an increase in trade volume and value with other countries, particularly those that support Maduro's government and maintain commercial and political relations.

Table 2 presents several key economic and social indicators of the Venezuelan economy for the period 2010-2025. The corresponding graphs, which present a general overview of the social and economic situation, are displayed in Appendix 1. According to the real GDP (and real GDP per capita), Venezuela has been coping with a severe economic recession since 2014. Between 2014 and 2020, the annual rate of economic contraction intensified each year, leading to deeper declines. The situation worsened further due to the COVID-19 pandemic. However, since 2021, the economy has grown. Unfortunately, after 2022, this growth began to slow, and the outlook for 2026 is not promising. Despite the high growth rates observed between 2022 and 2025, the absolute increases in real GDP are negligible compared with the real GDP values of 2012-2014, for instance. The depth of this recession is not surprising. Investment is essential to replenish the depreciated capital stock or to increase businesses' capital and installed capacity. Multinational companies with a presence in Venezuela were affected by successive devaluations and exchange controls that limited access to dollars at the official rate (Bahar et al., 2018), and many decided not to invest, as occurred in 2016 and 2017 (or 2020 due to the pandemic). The reduction in productive infrastructure among companies significantly affected real income,

real wages, and company profits, primarily due to increased inefficiencies stemming from a lack of incentives. However, since 2021, the investment growth rate has increased slightly, leading to a modest rise in the investment-to-GDP ratio; still, this ratio remains low compared with the values observed between 2010 and 2015.

Table 2. Economic and social indicators of Venezuela (2010-2025) (own calculations)

Year	Real GDP (%) [*]	Real GDPpc (%)	Invest/GDP (%) ^{**}	Investment (%) ^{**}	Unemployment rate (%) ^{**}	Population (millions) [*]	Population (%)
2010	-1.5	-3.0	22.0	1.0	7.1	28.5	1.5
2011	4.2	2.7	23.1	15.2	6.9	28.9	1.5
2012	5.6	4.2	23.8	24.1	6.6	29.4	1.5
2013	1.3	-0.1	31.7	-14.0	7.5	29.8	1.4
2014	-3.9	-5.3	19.7	-22.9	6.8	30.2	1.4
2015	-6.2	-7.6	19.4	-23.7	6.1	30.6	1.4
2016	-17.0	-17.3	10.2	-54.1	5.3	30.7	0.3
2017	-15.7	-14.8	5.1	-64.9	5.0	30.4	-0.9
2018	-19.7	-14.6	4.3	-31.2	5.5	28.9	-5.1
2019	-27.7	-23.9	6.8	32.9	5.9	27.8	-3.8
2020	-30.0	-30.5	9.2	-32.2	7.5	28.0	0.5
2021	1.0	2.3	8.9	9.1	7.0	27.6	-1.3
2022	8.0	10.4	6.2	4.2	5.6	26.9	-2.4
2023	4.0	4.7	5.3	2.6	5.4	26.7	-0.7
2024	5.3	6.0	4.9	3.4	5.3	26.6	-0.7
2025	1.5	1.1	—	—	5.3	26.7	0.4

Source: (*) International Monetary Fund. World Economic Outlook.

<https://data.imf.org/en/datasets/IMF.RES:WEO>. (**) World Bank Group. World Bank Open Data. <https://data.worldbank.org/indicator>

The severity of the economic recession is more evident in unemployment; although, the lack of reliable data hinders a thorough analysis. Table 2 shows the unemployment rate, sourced from the World Bank and based on official estimates. These unemployment estimates contrast with overall economic activity and the International Monetary Fund's estimates of Real GDP and Real GDP per capita. In fact, it has been noted that there has been a considerable increase in informality, particularly after 2015, when people engaged in the smuggling of gasoline (Schwartz, 2021) and domestically produced goods to neighbouring countries (Kaplan, 2016), buying and selling food and new and second-hand products (Pardo, 2015; Bull & Rosales, 2020b) within the country, and buying and selling domestic and foreign currency in parallel exchange rate markets. By

2014, over 40 per cent of the Venezuelan workforce was engaged in activities of the informal economy (Economic Commission for Latin America and the Caribbean, ECLAC, 2014), by 2017, the percentage of informality rose to 58.3 per cent (according to the International Labour Organization),¹² and by 2021, more than 55 per cent of the economically active population was self-employed or were family helpers, while 40 per cent were salaried workers.¹³

State intervention in the Venezuelan economy over the last 23 years has caused a wide range of distortions, evident not only in the contraction of productive activity but also in the deterioration of citizens' quality of life. In 2019, according to the United Nations World Food Programme [WFP] (2020), 2.3 million people in Venezuela (7.9 per cent of the population) were severely food insecure, and 7 million people (24.4 per cent) were moderately food insecure. In other words, one out of every three Venezuelans (32.3 per cent) was food insecure and in need of assistance. According to ENCOVI results, by 2021, 57.9 per cent of individuals experienced moderate-to-severe food insecurity. These statistics also reflect a rise in infant mortality, which increased to 25.7 deaths per thousand children, and for children under five years of age, the rate was 29.4 deaths per thousand. Additionally, the teenage mother rate surpassed 14 per cent. Venezuela has transitioned from a country where a sizable portion of the population had relative access to food, healthcare, drinking water, sanitation, domestic gas, electricity, fuel, and transportation to one facing prominent levels of malnutrition and food insecurity. This shift has resulted in the adoption of complex survival strategies (Tapia et al., 2022).

According to the Global Diet Quality Project (2024a), in 2023, the Venezuelan population increasingly favoured diets high in starchy staple foods and sugary beverages. As noted by the Global Diet Quality Project (2024b), these unhealthy food choices contribute to rising rates of chronic noncommunicable diseases and related health issues (including cardiovascular disease, diabetes, and cancer). Such an accelerated deterioration in the quality of life of Venezuelans has forced migration, especially among the most vulnerable. People were forced to migrate to neighbouring countries under very unfavourable conditions. Appendix 1 shows how the population began to shrink in 2016. According to figures from the United Nations Refugee Agency (UNHCR, 2025), there were more than 7.9 million Venezuelan migrants and refugees in the world. The countries that have received the largest numbers of Venezuelan migrants include Colombia, Peru, Chile, Ecuador, Brazil, and Argentina in South America, as well as the United States and Spain in North America and Europe, among others.¹⁴ Based on the information presented, one initial conclusion is that the trade boom has not been caused by a significant change in productive activity. In this sense, the explanation for the apparent economic recovery must be sought in Venezuela's trade relations with the rest of the world.

Table 3 presents annual figures for exports, imports, and the goods trade balance from 2010 to 2024.¹⁵ Despite fluctuations, all three trends indicate a

downward trajectory over the specified period. In fact, the correlation between imports and exports is quite high (0.90). The behaviour of both series is remarkably similar until the second quarter of 2019, when the trend reverses slightly. Global goods trade declined significantly (40 per cent) between 2014 and 2015. Within that single year, exports fell by nearly 50 per cent while imports dropped by 22.8 per cent. This sharp decline was primarily attributed to the 2014 decline in crude oil prices, Venezuela’s key export, as well as declines in other commodities. The fall in oil prices led to a nearly 87 per cent reduction in the trade balance because exports fell. By 2019, exports accounted for only 23 per cent of 2014 levels, whereas imports stood at just 13 per cent. Following 2021, imports increased, and by 2024, their value had risen to 2.5 times their 2019 level.

Table 3. Annual exports, imports, and trade balance (2010-2024) in billions of dollars

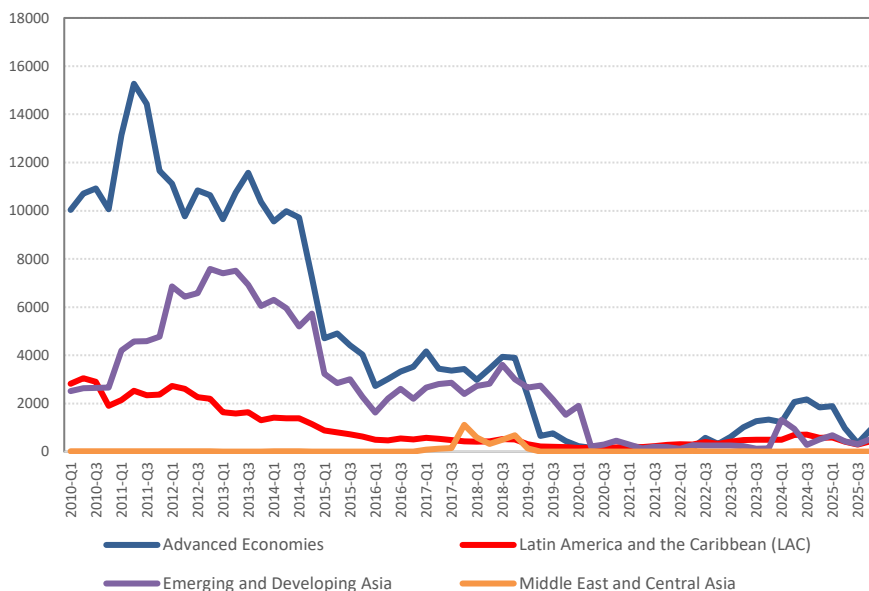
Year	Exports	Imports	Trade Balance
2010	65.75	35.88	29.87
2011	92.81	37.82	54.99
2012	97.34	51.33	46.01
2013	88.75	48.35	40.40
2014	74.71	43.17	31.55
2015	37.31	33.33	3.98
2016	26.70	15.54	11.16
2017	31.96	10.57	21.39
2018	34.44	11.71	22.73
2019	17.21	5.87	11.34
2020	5.01	6.59	-1.58
2021	3.54	7.70	-4.16
2022	4.75	10.14	-5.39
2023	7.78	10.94	-3.16
2024	14.31	14.89	-0.58

Source: International Monetary Fund. International Trade in Goods (ITG)
<https://data.imf.org/en/datasets/IMF.STA:ITG>

Figure 1 illustrates the trends in Venezuelan exports to various global regions and country groups. While a consistent pattern is observed across different regions, it is important to note some temporary spikes in exports to advanced economies, emerging and developing Asia, and Latin America between the first quarter of 2016 and the fourth quarter of 2020, as well as from the second quarter of 2022 to the first quarter of 2025, even under the US sanctions. Nevertheless, because reliable statistics are lacking, it is challenging to assess whether these increases are linked to the exploitation of Venezuela’s mining arc (Bull & Rosales, 2020b). Furthermore, a report from the US Government Accountability

Office (2023, p. 2) indicates that “illicitly mined gold from Venezuela has been refined and its origins otherwise disguised in the Caribbean, Latin America, the Middle East, and Africa before entering international markets”. These rising export figures are also related to the country's oil exports to China (US Government Accountability Office, 2023).

Figure 1. Quarterly exports (FOB) by destination in millions of dollars, 2010-2025

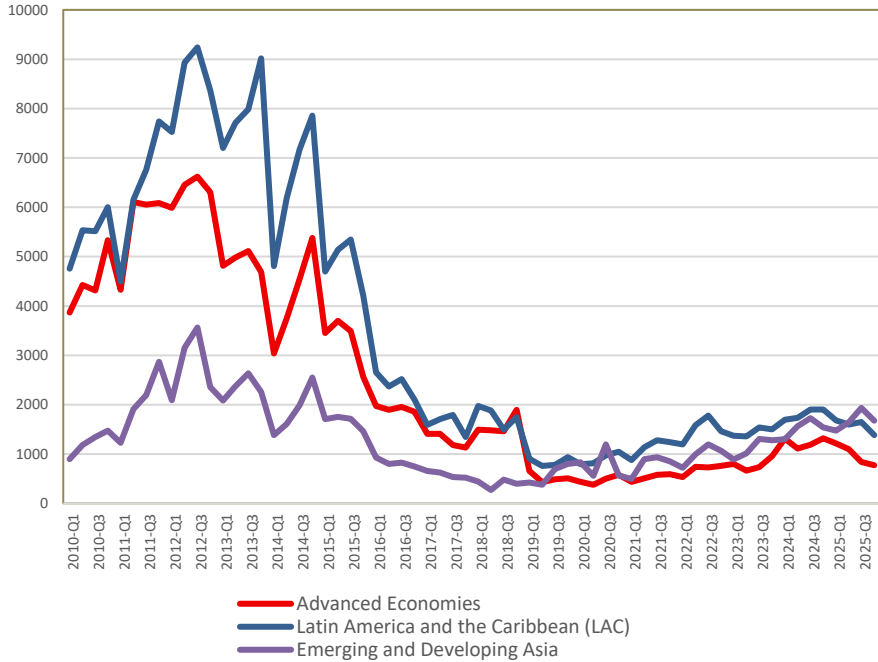


Source: International Monetary Fund. International Trade in Goods by Country Partner.
[https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS\(1.0.0\)](https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS(1.0.0))

Like exports, imports declined significantly, starting in 2014. Analysing Figure 2 helps clarify this trend. Notably, since the third quarter of 2019, imports from developing and emerging Asian economies have rebounded significantly, in contrast to imports from advanced economies. By 2019, China had emerged as Venezuela's primary import supplier, and by 2024, China's share of imports had increased to four times its 2019 level. Additionally, the United States has become Venezuela's second-largest trading partner since 2019. Interestingly, in 2020, India was Venezuela's second-largest supplier. These shifts in trade patterns coincide with the United States sanctions and the emergence of alternative payment systems, gold, cryptocurrency, and barter deals that partially circumvented formal financial networks. This may relate to the trade and financial blockade the United States imposed on the oil industry, which began in 2019. These trade patterns underscore the article's main argument: that the commercial boom was neither broad-based nor indicative of productive recovery. The observed commercial and productive patterns result from a selective flexibilisation of restrictions, including selective trade liberalisation at the national level, private

property with frequent state intervention, and the authorisation of the dollar's use in commercial transactions. The literature has described this as a Venezuelan version of authoritarian capitalism (Bull & Rosales, 2023).

Figure 2. Quarterly imports (CIF) by origin in millions of dollars, 2010-2025



Source: International Monetary Fund. International Trade in Goods by Country Partner.
[https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS\(1.0.0\)](https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS(1.0.0))

According to Bull & Rosales (2023), the Venezuelan government made substantial changes to economic policy that gave rise to a neo-patrimonial and authoritarian form of capitalism, where the legal framework's purpose has been more closely tied to ensuring the regime's survival than to preserving Venezuelans' fundamental political and economic rights. In other words, although the new economic policy allowed the formation of private for-profit enterprises, economic opportunities depended on loyalty to the government and its allies (Bull, Rosales & Sutherland, 2025; Bull, 2025). Without state support, this created difficulties in generating dynamic production chains, efficient business organisation, and efficient production dynamics.

As seen, the commercial boom has not translated into broad-based welfare gains. Rather, it has intensified structural inequality and institutional decay, reinforced the economic exclusion of the majority, and created enclave prosperity for a minority. It is possible to conclude that the rebound in economic activity observed in the media, which seemed to indicate that Venezuela was recovering, was not entirely accurate. The commercial boom lacks a solid economic foundation. The evidence shows little investment between 2019 and 2025; moreover,

capital depreciation has not been offset by reinvestment, resulting in a net decline in productive infrastructure and stagnation in potential output. Unemployment and informality in 2019-2025 were higher than in 2014. The economy does not present a consolidated domestic market, or at least signs of recovery, because, in addition to unemployment, informality, and migration, approximately 58 per cent of the population lives in poverty and experiences moderate to severe food insecurity. The National Survey of Living Conditions shows that the population's food vulnerability, especially among children, is real. Consequently, this apparent commercial boom cannot be considered part of an economic recovery in Venezuela; instead, it reflects increased poverty and inequality. These outcomes stem not merely from income loss but from institutional arrangements that distort incentives for savings, production, and exchange. Without mechanisms to restore credible market signals, especially through legal stability and contract enforcement, poverty would persist not only as a social condition but as a structural economic trap.

As North's (1990) institutional economics points out, societies trapped in low-growth equilibria suffer not from resource scarcity but from the rules of the game that inhibit productive coordination. Venezuela exhibits this clearly: an economy where informal norms and discretionary controls crowd out long-term investment. From a policy perspective, a sustained recovery must be accompanied by greater capital formation and reinvestment, particularly in economies recovering from institutional breakdown and capital flight. This is the only way to establish and strengthen the foundations for a true economic recovery. Obviously, this requires clear, stable rules. Important institutional changes are needed to sustain and strengthen the return to a free-market economy, one in which investors, firms, workers, and consumers seek incentives, weigh trade-offs, and make free choices, aligning self-interest with social interest.

Concluding remarks

This study examined whether the commercial boom observed in Venezuela since 2019 represents a genuine recovery or a superficial rebound driven by *de facto* dollarisation and rent-seeking behaviours. The evidence suggests this boom is not based on productive reinvestment or institutional reform, but on a narrow market segment focused on rent extraction, informal financial circuits, and political patronage. Despite modest increases in real GDP, output remains significantly below 2014 levels, and early indications point to a renewed contraction in 2026. Macroeconomic fundamentals – particularly investment, employment, and real wages – remain severely impaired. The decline in labour income, food security, and human capital indicates that the observed expansion is exclusionary and does not benefit all citizens because weak institutional monetary channels limit its reach. This situation reflects what Acevedo, Cirocco, and D'Andrea (2018) describe as “multipoverty in Venezuela”, characterised by overlapping

deprivations stemming from institutional collapse rather than temporary shocks. Migration and informal employment, often misinterpreted as adaptation strategies, are actually symptoms of systemic failure and the lack of credible economic governance.

The Venezuelan experience illustrates Hayek's (1945, 1976) argument about the limits of central control and the essential role of spontaneous order. The collapse of monetary credibility and the rise of informal mechanisms – such as dollarisation, barter, and cryptocurrency – are attempts by individuals to re-establish market coordination in the absence of functioning institutions. However, such an informal order cannot replace the need for stable rules, property rights, and monetary discipline. Sustainable recovery requires more than short-term liberalisation; it necessitates a comprehensive restoration of institutional and constitutional order. Long-term recovery will depend on rebuilding the foundations of a market economy that is supported by credible legal frameworks, secure property rights, and monetary stability. As Boettke (1998) emphasises, prosperity cannot arise from fragmented liberalisation; it must emerge from revitalising the rule of law and entrepreneurial freedom. Only through profound institutional reform can Venezuela transition from a rent-dependent enclave economy to one characterised by inclusive, sustained, and genuinely productive growth.

* * *

José U. Mora holds a PhD in Economics and is a professor at Sul Ross State University. He has been affiliated with the Universidad de Los Andes in Venezuela and the Pontificia Universidad Javeriana-Cali in Colombia.

E-mail: jose.mora@sulross.edu

Rafael Acevedo is an economist and senior program manager and research associate at the Menard Family Centre for Economic Inquiry at Creighton University.

E-mail: rafaelacevedo@creighton.edu

Alberto Hurtado is an economist, PhD in Human Sciences and researcher at the Universidad Cooperativa de Colombia and Universidad de Los Andes in Venezuela.

E-mail: alberto.hurtadob@campusucc.edu.co

Notes

- 1 <https://www.acnur.org/noticias/press/2019/6/5cfa5eb64/refugiados-y-migrantes-de-venezuela-superan-los-cuatro-millones-acnur-y.html>.
- 2 <https://americasquarterly.org/article/dollarization-cant-save-the-venezuelan-economy/>
- 3 <https://www.nationalreview.com/2020/10/hyperinflation-clear-definition-to-counter-media-misreporting/>
- 4 <https://www.nationalreview.com/2020/11/hankes-inflation-dashboard-measurements-vs-forecasts/>
- 5 <https://www.bbc.com/mundo/noticias-america-latina-43310816>
- 6 <https://www.elnacional.com/economia/los-influenciadores-y-la-crisis-economica-de-verdad-venezuela-se-arreglo/>
- 7 <https://www.bbc.com/mundo/noticias-america-latina-41055728>
- 8 <https://www.france24.com/es/20180507-eeuu-sanciona-empresas-en-venezuela-por-lazos-con-narcotrafico>; <https://elpais.com/mexico/2021-06-13/la-red-que-burlo-las-sanciones-de-estados-unidos-a-venezuela.html>
- 9 <https://www.bbc.com/mundo/noticias-america-latina-52049695>
- 10 Money laundering is conducted through purchases of cryptocurrencies with resources from drug trafficking or other illegal activities. <https://www.natlawreview.com/article/crypto-laundering-bitcoin-money-laundering>.
- 11 Venezuela's prolonged economic crisis has driven professionals to sell their skills in international and remote labour markets at undervalued rates and with no legal contracts, as access to dollar-denominated income has become essential for survival amid hyperinflation. <https://www.debatesiesa.com/el-gran-remate-honorarios-de-profesionales-venezolanos-en-el-mercado-internacional/>.
- 12 See International Labour Organisation data explorer. https://rshiny.ilo.org/dataexplorer37/?lang=en&segment=indicator&id=EMP_NIFL_SEX_AGE_RT_A&ref_area=VEN
- 13 ENCOVI database, <https://insoencovi.ucab.edu.ve/indicador-de-empleo/>
- 14 <https://www.r4v.info/en>
- 15 See Appendix 2 for quarterly exports and imports.

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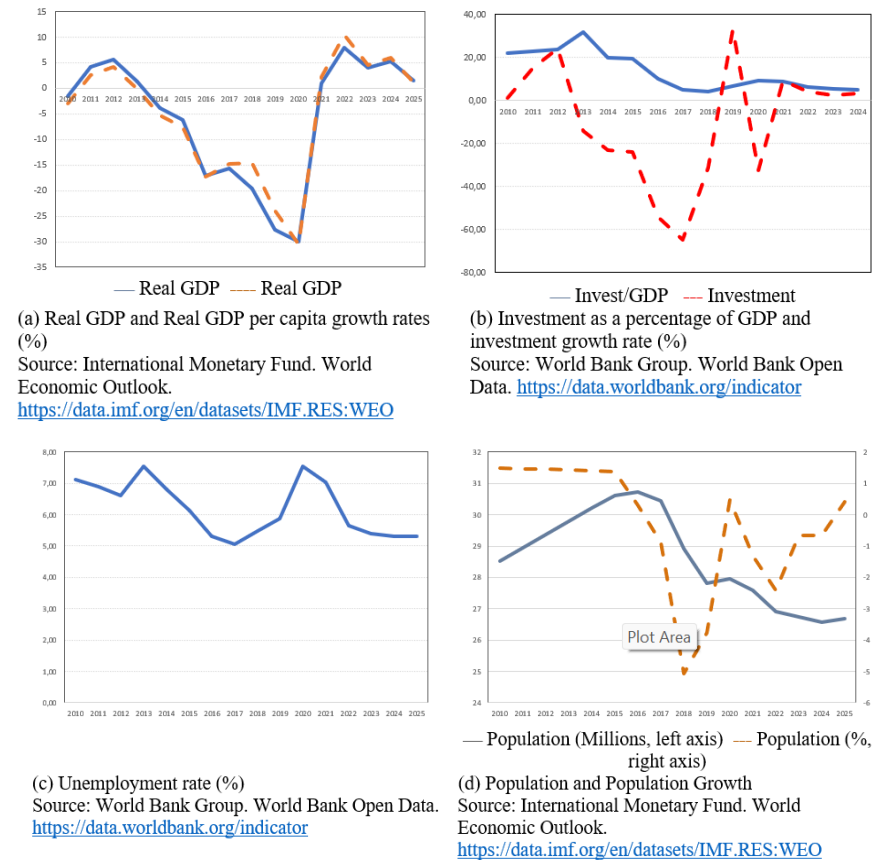
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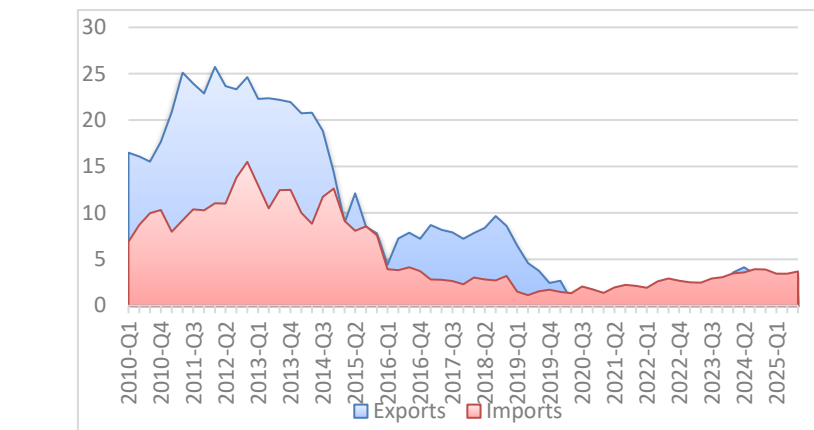
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Appendix 1. Economic Indicators of Venezuela, 2010 – 2025



Appendix 2. Quarterly exports and imports of goods and services in billions of dollars, 2010-2025



Source: International Monetary Fund. International Trade in Goods (ITG).
<https://data.imf.org/en/datasets/IMF.STA:ITG>

Appendix 3. Imports by country of origin as a share of total imports in 2025 (%), 2010-2025.

Country of origin	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
China, Rep	8.9	12.4	13.8	13.6	13.2	15.3	14.1	14.3	8.6	22.2	20.2	24.5	25.7	28.5	28.9	34.9
United States	22.8	21.9	19.8	17.1	17.7	18.4	21.8	24.8	33.1	13.6	10.4	13.1	13.5	14.7	18.4	14.2
Colombia	3.3	3.0	3.8	3.7	4.9	5.9	5.9	3.7	3.4	3.5	3.0	4.4	6.4	6.5	7.1	8.4
Brazil	8.9	8.2	7.7	6.8	10.1	9.7	7.3	3.8	4.1	5.6	9.4	11.4	10.6	8.7	6.7	5.1
Argentina	2.9	3.1	3.1	2.5	4.9	3.6	4.4	2.4	3.2	2.2	1.6	2.4	2.4	2.6	2.3	3.3
India	0.5	0.6	0.5	0.5	0.6	0.6	0.5	0.9	0.7	4.6	12.8	4.6	2.1	1.7	1.8	1.9
Russian Fed.	0.3	0.4	0.3	0.3	0.5	0.4	0.6	0.2	0.2	0.3	0.5	0.5	2.1	2.1	2.1	1.7
Mexico	3.5	3.2	3.4	3.7	3.7	4.2	3.8	9.6	7.9	5.4	3.6	2.7	3.0	1.9	1.5	1.6
Panama	1.8	3.3	2.7	1.6	1.8	1.8	1.3	2.0	1.8	3.5	3.2	2.8	2.1	2.0	1.5	1.6
Canada	1.3	1.5	0.9	1.1	1.4	1.4	1.0	1.1	0.5	0.5	0.6	1.4	1.1	1.4	1.0	1.3
Spain	1.8	3.1	2.2	1.7	1.9	1.8	1.7	1.1	1.5	4.6	2.5	1.2	1.1	1.2	1.4	1.2
Türkiye, Rep	0.1	0.1	0.1	0.3	0.2	0.1	0.1	0.3	0.9	1.7	2.6	2.9	2.7	2.6	1.6	1.1

Source: International Monetary Fund. International Trade in Goods by Country Partner. [https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS\(1.0.0\)](https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.STA:IMTS(1.0.0))