



22 FIFTH AVENUE

NEW YORK 36, N.Y.

VENEZUELA EXPERIENCES A BOOM

A Letter from James G. Maddox

Caracas, Venezuela
October 9, 1954

I wrote the following letter as a personal communication to Phillips Talbot while I was enjoying a Saturday afternoon of relaxation from several weeks of intensive data-gathering activities. On reading it over, I concluded that it contained enough of the flavor of today's Venezuela and enough data on the current situation there to be of general interest.

* * * * *

I arrived in Caracas about nine o'clock Wednesday evening. As soon as I had checked into my hotel and washed my hands, I went to the dining room for dinner. I had a ham steak, green beans, French fried potatoes, a small piece of French pastry, and a piece of papaya for dessert; also a bottle of mineral water to drink. This meal--which was good, but nothing special--cost Bs. 17.50. Exactly eight evenings before, I had almost the same meal--the only difference was veal cutlet instead of ham steak--in La Paz, Bolivia, and the cost was Bs. 670. But there's a catch. In Bolivia, "Bs" are Bolivianos; in Venezuela, "Bs" are Bolivars. I received from 1,400 to 1,450 Bolivianos for each dollar I exchanged, but only three Bolivars. Thus, my meal in La Paz cost about 45 cents, but my meal in Caracas cost about \$5.25. Incidentally, the mineral water I drank in Caracas was imported from France, and cost \$1.30.

I might add that this is a third-rate hotel; there are two in the city which are better than the one at which I am staying, and, of course, more expensive. A room and three meals at the best one costs about \$30 per day. If you should decide to hold a ten-day conference of your hard-working field men, I may be able to arrange a price of \$25 per day. I am sure, however, that we would have to take double rooms at that price. Let me know if you are interested!

Please don't get worried about my expense account. I lived very cheaply in Bolivia last month--I spent only about \$200--and I stopped drinking mineral water in Venezuela after that first meal. Moreover, I have found several "greasy spoons" where you

can get lunch--a ham-and-cheese sandwich with a bottle of "Coke" and a tidbit of pastry--for Bs. 3.25. A small tip will bring the total cost up to \$1.50. For twice this price I can get a fair dinner. With luck, I may stay here for ten days at no more than twice what it costs for a full month in Bolivia.

You really can't imagine what a fantastic place this is. I first started coming to Caracas in 1949. At that time, the city seemed to be crawling with new automobiles from the States; traffic jams were terrible and the horn-blowing was deafening. But at that time the streets were narrow; there were almost no traffic lights; practically all of the corners were blind; and nobody could drive more than 15 or 20 miles per hour. Moreover, most of the retail shops and office buildings were in the center of the city--within a ten-block radius of Plaza Bolivar. The traffic jams were really terrible back in those good old days. Now everything is changed--almost everything. There are beautiful, new, wide avenues cut through the city, with traffic lights properly timed so that the cars can whiz along at a dangerously fast clip. There are hundreds of new apartment and office buildings, one of which is all glass a la Lever Brothers in New York City--this one is not quite finished yet, but I am told that its offices will be used by radio and television personnel. (Can you imagine Milton Berle and Jackie Gleason having glass-walled offices? They would "mug" themselves to death the first day.) There are three television stations here, one of which is operated by the government and two by private companies. The retail shops are filled with anything and everything that you might conceivably want to buy--just name it and I'll bring it to you at two to three times the price that you will have to pay on Fifth Avenue. And the road up from the airport is out of this world! Dozens of times in the past, I have spent from one and one-half to two hours getting from the airport to the city, over a twisting, narrow mountain road that was always crowded with heavily-loaded trucks, grinding their way along at a pace of five to ten miles per hour. Traffic was sometimes delayed for hours--in rare cases, for days--by landslides that covered the old road. Now the traveler can get to the city from the airport in 20 to 30 minutes over a four-lane, superhighway, with two long tunnels, and the whole thing lighted with pale blue lights! Cost: about \$60,000,000.

But the amazing thing about all this--I am almost sure that no city in the Western world has ever been so nearly completely rebuilt in such a short time as has Caracas--is the traffic. Whereas five or six years ago the traffic jams were terrific, they are now absolutely fantastic. (In Spanish the word is "fantástico.") The streets--all streets--are like beehives of automobiles. There are cars of all makes, from all countries, and weaving in and out of the lines of cars are hundreds of little motor scooters ridden by delivery boys and a few recent Italian immigrants, who haven't yet had time to make a killing in the construction business.

To be fair, however, I must point out that the present traffic situation is the result not only of the very large number of cars that are in the city, but also of the fact that there are several major construction jobs underway. The beautiful, wide

avenues are being brought into a great network of superboulevards, by new cross streets, overpasses, and clover-leaf entrances and exits. New underground parking lots are being constructed, and literally miles of telephone and power lines are being put underground. Two or three sections of the city are getting new sewers. Hence, large areas of the city are almost completely blocked off, and there are numerous bottlenecks in the regular traffic patterns. Apparently, there is no end to this great rebuilding job which has been going forward for some time and which has taken on an exceedingly rapid pace within the past two years. The city and its satellite communities are still growing. In 1940, the population of the urban area of Caracas was about 325,000; now it is about 800,000, and new houses are going up by the score. Many of them are large apartment buildings.

But Caracas is not the only place in Venezuela where fantastic things are happening. I haven't yet been into the interior, but I have looked at some figures on agricultural production and have talked to several people who are well informed on agricultural developments. As recently as two and one-half years ago, when I made a brief study of the agricultural situation and the food needs of the country, I could see little hope of Venezuelan farmers producing enough food to meet the needs of the rapidly growing population. There are still heavy imports of many foods. But last year Venezuela actually exported a little corn. This is a basic food crop, and it is also important for livestock feed. The government had a problem, because it had guaranteed a minimum price for corn, and the harvest was so large that it was impossible to carry through on the price-support program. The price of corn fell to about 90 cents per bushel. This was a phenomenal experience in a country where corn has been scarce for many years and where the general price level is almost twice as high as it is in the States.

A surplus of frying-chickens also developed a few months ago. To handle this situation, the government started licensing the importation of baby chicks and hatching eggs, and is now setting quarterly quotas to regulate imports. Some of the feed dealers, however, are starting to produce hatching eggs locally and already have their incubators operating. They want more broilers to be raised in order to have an expanded market for their feed. This is a strange thing to have happening in Venezuela. Only four years ago, a North American manager of a large poultry farm near Caracas (a farm which had been steadily losing money because it had to import mixed feed from the United States) told me in very solemn and sincere tones: "You'll never be able to feed corn to chickens in this country. There is too great a demand for it for human consumption."

A few bushels of corn for export and a local market glut of broilers doesn't mean that Venezuela has suddenly solved its food problem. It will import a significant part of its total consumption needs for quite some time. Agriculture, however, is experiencing great developments. This year's rice harvest is expected to be sufficient to eliminate the need for imports. Sugar production

is increasing. It was about 80,000 tons this year, compared with 24,000 tons ten years ago. At that time, a little sugar was exported, but now--even with the greatly expanded production--sugar is imported. This provides an inkling of what is happening to consumption. Milk production is profitable, and expanding. The producer is receiving from \$7.50 to \$12.00 per hundred pounds for his milk, but the consumer is paying only about 30 cents per quart. This is about five cents more than you pay in New York City, but the producers are receiving three to four times as much as dairy farmers in upstate New York.

The general agricultural policy is to produce in Venezuela everything that is agronomically feasible. In effect this says: "economics be damned. We will produce anything that our climate and soils permit, and pay the necessary subsidies to bring forth the production." The facts are, of course, not quite this extreme, but almost all of the major farm commodities--such as rice, corn, sugar and meat--can be purchased at a lower price in the world markets than they can be produced here in Venezuela. The government, however, remembers the severe food shortages during World War II, when the U.S. was carefully rationing its scarce supplies. The government wants a productive agriculture plant as insurance against a recurrence of world food shortages. Moreover, they argue--and probably with some validity--that their costs will decline when agricultural production becomes more efficient and rational. To achieve this objective they are doing all sorts of things, such as, importing hundreds of head of purebred livestock from the United States, lending farmers money with which to buy the latest type of mechanized equipment for farming, developing large resettlement projects by clearing land and constructing irrigation systems, and supporting the prices of most agricultural products at very remunerative levels. As one indication of the way in which modernization is expressing itself, there are now three companies in Venezuela engaged in dusting and spraying crops by airplane. Here indeed is an agriculture which is jumping in one grand leap from the hoe and machete system of farming, where one family handled two or three hectares of land, to the tractor and airplane system, where an efficient farm unit is measured in hundreds of hectares.

Behind this tremendous surge toward modernization--a movement which is taking place in virtually all sectors of the economy--lies the petroleum industry, and the great income which the government is receiving from oil. Venezuela is now the second largest oil producer in the world, and ranks first among exporting countries. About one-half the profits of the oil companies flow directly into the national treasury, and tax collections from businesses that are directly related to the exploitation of oil are, of course, a significant source of additional government revenue. It is very difficult to estimate the amount of government revenue that stems more or less directly from oil production, but it must be at least \$500,000,000 per year, or about \$100 per year for each man, woman, and child in the country.

The government is spending this money, along with other

revenues, for various types of welfare programs, but especially for roads, streets, water systems, sewage-disposal facilities, public buildings, and countless other physical facilities. As a consequence, the whole economy is booming, and most of the major cities have the appearance of giant construction camps. Next to oil, the construction industry is the most important in Venezuela.

Of course, there is a seamy side to all of this. Graft among government officials is widely discussed. The government is a military dictatorship which allows little opposition, either by the press or by political organizations. These things are more or less accepted by the great majority of the people without complaint or criticism. Rarely have the Venezuelan people known any form of government other than dictatorship, and this one is certainly bringing prosperity and material progress to the country. It is probable that many little people are being hurt by the rapid changes that are taking place; I don't really have the facts on this, and I don't want you to take it too seriously. However, I know that there is some unemployment right here in booming Caracas. I believe--although I can't document it--that small farmers are being pulled, or shoved, off their land without having real job opportunities to turn to in industry or in trade. Many recent European immigrants are having difficulty in getting established, and thousands of Venezuelans--both in the cities and in the country--are still living in miserable poverty, while Cadillacs go whizzing by.

The complicated social consequences of the very rapid rate of development need careful and serious study. We have here an important laboratory for the social scientist.

Sincerely,

James G. Maddy