

The Economic Situation of Venezuela and How Crypto is Playing a Role

To listen to the interview in its entirety, check out the Evolvement Podcast here:

<https://evolvement.io/a-discussion-on-venezuela-economic-situation-with-ernesto-contreras/>

In this episode of the Evolvement Podcast, our host Michael Nye talks to Ernesto Contreras how crypto is helping combat hyperinflation and benefitting the citizens of Venezuela. Ernesto holds a Master of Business Administration degree and is a veteran of international business development. Recently he has focused his attention on the financial and political situation of his home country of Venezuela, specifically on the adoption and usage of Dash. Early on in the interview, Ernesto warned that the situation in Venezuela is quite complicated and difficult to summarize. Throughout his talk with Nye, he covered the difficulties his countrymen are facing, where these issues came from, how crypto can help locals maintain their monetary value without the local currency, and perhaps more importantly, how it helps feed their families.

Like many of those in the crypto industry, Ernesto was initially skeptical of crypto and its use case. When a friend in Shanghai asked for help in purchasing crypto mining machines, he declined, but never forgot what his friend told him that day "Once you get into this, you can never go back." It was only after that encounter did Ernesto begin to investigate cryptocurrency and start to see that it had a use case helping those living under the regime of Socialism in his home country.

“All of this has been about 15 years in the making . . . the blackouts, shortages of certain things . . . hyperinflation is the result of a lot of smaller and larger mistakes that were constantly made over time.”

The financial situation in Venezuela has been declining over the past 20 years and continues to grow steadily worse. A combination of governmental policies, a drop in oil prices, price-fixing, and reliance on Socialism have [all contributed](#) to the current financial climate. In 2018 the inflation catapulted to over [One Million percent](#) and continued unabated per annum significantly decreasing the purchasing power of the native currency, the Bolivar. For comparison in the same year, Brazil experienced [3.66% inflation](#) and the [US 1.9%](#).

As a result, Venezuelan nationals find it impossible to buy staples such as food, clothing, and medicine for their families. Ernesto uses an example of purchasing a box of chocolate he enjoys: at the beginning of the month he was able to buy two boxes for 1500 Bolivars, by the end of the month one box was 1500 Bolivars. His currency had lost half of its purchasing power in a matter of 3 weeks. This kind of inflation is entirely foreign to those living in first world countries as they generally enjoy a low level of inflation.

Another complication to the inflation scenario is the use of credit and debit cards. As in the US or EU, there are spending limits on these cards. However, as the value of the Bolivar decreases, these spending limits do *not* change in real-time, meaning that it could be several weeks before they catch up to inflation. Imagine trying to go to the movies and the \$15 ticket is now \$15000, but your credit card has a \$5000 limit. This seemingly unlikely scenario is all too familiar to Ernesto, who tells a story of an individual needing to use multiple debit cards from

friends and family to purchase a refrigerator as the price had gone up far past the spending limit of his one card.

“If you wanted to buy a fridge, you needed to bring maybe 10 or 15 debit cards in order to add up to the amount of the cost of the fridge, but this guy implemented Bitcoin, Dash, and Ethereum, and people can just make a simple transaction, and he will be able to sell and serve that customer because of the freedom that cryptocurrency bring.”

“ . . . what all this means is that when you have your hyperinflated currency, you want to get rid of it as soon as you can.”

Venezuelans have no incentive to hold onto their national currency as it continues to plunge in value over short periods. Instead, they exchange their local money for assets that, at the very least, decrease in value at a slower pace, or ideally, increase in value. In other countries with a weak national currency (Cambodia, Laos, Uganda), locals frequently turn to the US dollar or Euro to retain value. However, as the Venezuelan government has complete control over the national currency exchanges, this is impossible for Venezuelans. As a result, cryptocurrencies such as Bitcoin, Litecoin, and Dash are being used as a store of value in an example of [Gresham's Law](#), wherein “bad” money drives out “good” money. The utilization of Dash is one of necessity, as other assets to exchange for Bolivars are rare. When goods need to be purchased, the cryptocurrency is transferred back to Bolivars using services such as Local Bitcoins, which has the [highest volume in the world](#), trailing behind only the US.

“ . . . whenever we find the greatest need where Dash can have the greatest fit is an opportunity to grow”

Perhaps most encouraging is the recent adoption of [Dash](#) by brick-and-mortar establishments. With the assistance of Ernesto and the Dash Core team, last year [10 Church's Chicken franchises](#) in Venezuela have begun accepting Dash as a form of payment. Using a QR code on the phone to pay for dinner is infinitely more convenient than [carrying the equivalent amount of cash](#). Dash has also made charitable contributions through its Masternode system, which allows Dash holders to vote on specific initiatives funded by the community. Because cryptocurrencies are borderless and permissionless, donations can be sent from anywhere in the world; [Dash Text](#) is a service that allows a user to transfer Dash to any phone with text capabilities. Specifically, the charity sends Dash to school children who use it to pay for school breakfast. In recent years local non-government organizations and private citizens have begun to help the people of Venezuela cover necessary costs, including food, clothes, and medicine.

Though the economic situation in Venezuela is dire and requires strong leadership course-correct, Ernesto is confident that change for the positive can happen “If there are some big changes in the way the economy is managed, Venezuela has the possibility to recover from these problems.” It will not happen overnight, but China has been able to evolve from a debt-ridden country in the '70s to [second largest global economy in the world](#). Until then, Ernesto will continue to help his countrymen in a transparent, decentralized manner.

-Kaltoro

Dash Text

The Dash Text Charity program is the **first truly distributed charity system in the world**. 100% of the money received will be sent to kids in need in various schools in Venezuela so that they can buy food and other essential items by themselves using their SMS wallets!

Want to contribute?

You can donate in all these different cryptos!*

Dash



xgMkqQvckzMBvGwUzArVvVbK6d

Bitcoin



LxkRPLArywAcmbH7zwbURXk6kTm

Bitcoin Cash



Qgy4H50f6zpgj7ehqqjnt7eeplyngj0ZM

Ethereum



0x8AS2D6af-c07F5975a2Cb883-D4C0d4#99be01



Dash Text is an SMS wallet service that works with the Dash Cryptocurrency, donations in other cryptos will be exchanged for Dash before they are sent to the kids

dashtext.io/charityprogram [@dash_text](https://twitter.com/dash_text) [@dashtext](https://facebook.com/dashtext)