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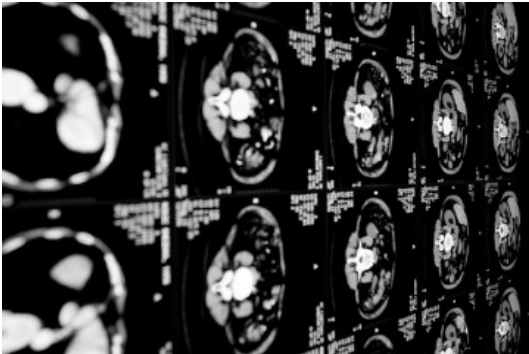
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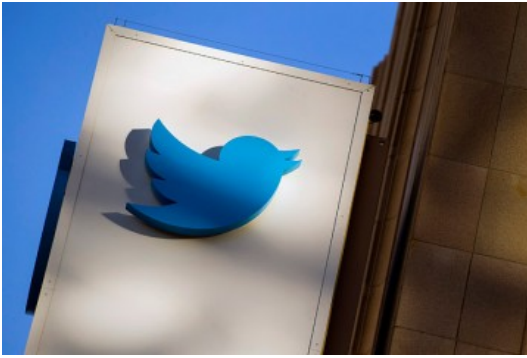
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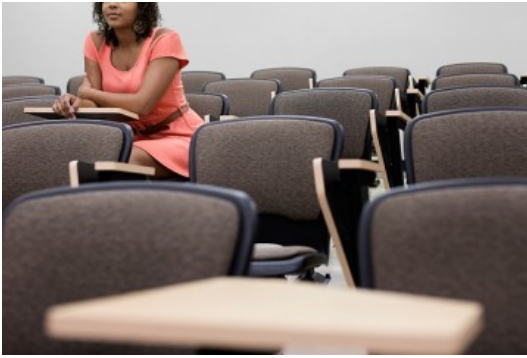
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Violence

Crime Hobbles Venezuela's Economy

By [Corina Pons](#) January 30, 2014



Photograph by Juan Barreto/AFP via Getty Images

Relatives and friends carry the coffins of Venezuelan model Monica Spear (right) and British-born partner Thomas Henry Berry during their funeral in Caracas on Jan. 10

The murder on Jan. 6 of Monica Spear, a well-known actress and former Miss Venezuela, and her husband attracted world attention to a problem that has plagued Venezuelans and their economy for years: violence. When her Corolla broke down, Spear was robbed and shot in front of her 5-year-old daughter, who survived a gunshot wound.

Venezuela says the country's murder rate is 39 per 100,000 people, but the Venezuelan Violence Observatory, a nongovernmental organization, says the official figure is too low; it estimates that 24,763 people were killed last year, or 79 per 100,000 people. Along with kidnappings, thefts, and extortions, that's earned

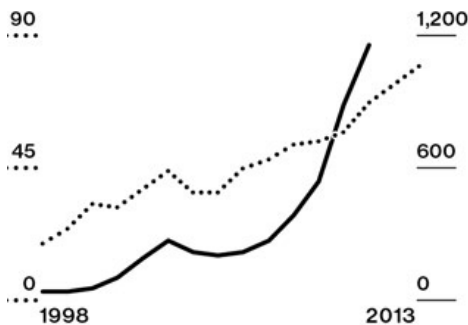
Venezuela the No. 3 spot, after Honduras and Guatemala, as the economy most damaged by violence, according to the World Economic Forum's Global Competitiveness Report 2013-2014. The country is also the worst in the world for attracting talent and second worst after Myanmar for retaining it, according to the survey.

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"The difficulties of operating under Hugo Chávez's revolution and his hostile policy against the private sector have hidden the economic impact of violence and crime," says Jorge Restrepo, an economics professor at Colombia's Pontificia Universidad Javeriana. An adviser to a United Nations Development Programme study on the cost of crime to Latin America's economies in 2013, Restrepo says Venezuela is "losing no less than 5 percent of its GDP" because of murders and other crime. "The cost of the violence in Venezuela is probably similar to the 4.8 percent of Colombia GDP that was lost to crime when the homicide rate reached 83 per 100,000 inhabitants in 1992."

Venezuela's Crime Pandemic

• Murder rate per 100,000 people
 / Number of reported kidnappings



DATA: VENEZUELAN VIOLENCE OBSERVATORY, CUERPO DE INVESTIGACIONES CIENTIFICAS, PENALES Y CRIMINALISTICAS

Crime affects an economy in many ways. "The first effect that violence has on an economy is the way it limits international capital flows," says Hugo Frühling, professor at the Public Affairs Institute of the University of Chile, who also participated in the UNDP study. "The high rates of crime also hurt people's confidence and the possibility for entrepreneurship."

Venezuelan gangs extort companies in construction, oil services, steel, real estate development, and other businesses, says Frank Holder, FTI Consulting's chairman for Latin America. Interior Minister Miguel Rodríguez Torres said at a press conference on Jan. 24, after returning from southeastern Bolívar state, that armed gangs disguised as labor unions in the state "do as they like" and extort construction companies. "They are striking terror into the hearts of not only the owners," he said, "but also the workers."

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Jorge Roig, president of the Venezuelan Federation of Chambers of Commerce, says crime directly influences companies in their decisions to do business in the country or stay away. "There are executives who don't want to come out of fear," he says, "and a lot of owners of Venezuelan companies who live abroad and whose companies produce less as a result."

President Nicolás Maduro, Chávez's successor, called for an "iron fist" to smite criminals after Spear and her husband were murdered. FTI's Holder, basing his estimate on what Colombia spent in its war on the drug cartels, says Venezuela may need \$170 billion to significantly reduce crime.

Until the government cracks down successfully on crime, many Venezuelans will stay home at night. The UN study ranks Venezuela third, after the Dominican Republic and El Salvador, for people staying home instead of going out to shop, dine, or see a show after dark. Caracas moviegoers can no longer catch the 11 p.m. show—theaters stopped offering late-night screenings.

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Even doctors are affected by omnipresent crime. "My patients and colleagues don't want to be in my office after 6 p.m.," psychiatrist Edgar Belfort says. "The country is being paralyzed because of this violent situation."

The bottom line: With a murder rate approaching that of Colombia in the 1990s, Venezuela loses 5 percent of GDP to crime.

[Pons](#) is a reporter for Bloomberg News in Caracas.



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mr215 · 4 days ago

Venezuelans deserve the government and poor conditions they have to endure because enough of them voted for these incompetent politicians. another Cuba in the making. pity!

3 ^ | ▾ · Reply · Share ›



Charlie · 5 days ago

they voted for ths President and the previous one....so people...life sucks then you die. Who cares!

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RossWild → Charlie · 3 days ago

Like the deads in the WTC, like the thousands in every school and university shot-killed every month, like the soldiers in Afghan, Iraq, Kuwait, Vietnam, etc etc etc....sucks that

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TheBrett · 3 days ago

To be fair to Maduro and his ilk, crime was pretty bad in the 1990s before Chavez came to power, although it's probably worse now than then. It's the same set of problems that most Latin American countries have had in combating crime: incompetent and corrupt police forces and justice systems, low social trust, and the presence of heavily armed gangs. Maduro talking about an "iron fist" doesn't do much good when what Venezuela really needs is a more accurate and timely "fist".

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unsorted · 6 days ago

OVV data has been debunked. Businessweek should issue a retraction.

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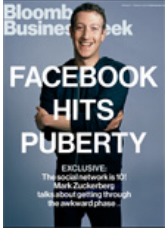
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