

# What is Venezuela's Petro? It's socialism to bitcoin's rescue



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DEPENDS ON IT.

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cryptos it has a fixed total: 100 million petros. Inflation is  
thus impossible..."*

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A supporter of Venezuela's President Nicolas Maduro holds a poster with a picture of late Venezuelan President Hugo Chavez that reads "Vote for Chavez" during the last campaign rally with pro-government candidates for the upcoming parliamentary elections, in Caracas. The Chavista process has hit some serious snags, but a revolutionary process has many surprises and the battle is not yet done.

The simplest way to answer that question is: The Petro is a bond sale for foreign investors, with the proceeds going to pay the infrastructure costs required to implement the first-ever mass national adoption of crypto-currency.

Now that is a government taking on "good debt", unlike the West's banker bailouts...

It should be no surprise that Venezuela will be the first to unleash the democratic, anti-capitalist and anti-imperialist capabilities of bitcoins: it's not as if 25-year old California capitalists ever saw bitcoins as anything other than a way to make untaxed profits and to retire early.

The difference between Venezuela and other socialist-inspired

countries - Cuba, Iran, China, etc. - is that Venezuela never had a revolution to sweep out the feudal-inspired aristocrats and their limited, bourgeois/West-European democracy. That's why the creation of the Petro appears like the most revolutionary, progressive and combative move that Venezuela has ever made.

On February 20 they will begin the pre-sale of what has the potential to be the largest ICO (Initial Coin Offering) ever, multiplied by 10. It has the potential to raise \$6 billion, which would almost equal the sum of all ICOs in 2017. It would instantly become a top 10 crypto.

Newsworthy? Oh yes, and on far more than just the business page.

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Ponzi scheme untethered from reality? Hardly: A total of 100 million Petros will be created, which will be tied to the price of oil (currently around \$60 per barrel). This will keep the price stable.

If it works, the results are quite serious: Venezuela, shut out from the bond market due to immoral American sanctions and international compliance with the blockade, will have a way to raise funds...and thus stop starving.

Not quite as important as avoiding starvation - which the ancient Greeks called the cruelest death - Venezuela could potentially wind up with 5% of the world's supply of Ethereum: that's not just the best long-term investment currently

available, probably, but they would help secure the overall crypto market by becoming one of the most powerful controllers of Ethereum's price.

Wow, that's big for Venezuela...and we haven't yet discussed the global implications.

The Petro is specifically backed by 5 billion barrels of the Ayacucho block in the Orinoco reserve. Venezuela has 300 billion known reserves, so this is a drop in the bucket; also, acquiring \$6 billion, in a country which owes \$140 billion in foreign debt, is another drop in the bucket. So the Petro will not "save" or "break" anything (let's try to hear the word "bitcoin" and not immediately begin thinking so over-dramatically...). Looking at the cash and the oil totals misses the reason why the Petro is so important.

**It's not that the Petro is the first crypto-currency to be backed by a resource (other than gold), but that is interesting, it's true.**

**The key is that the Petro is the first crypto which has all the power of being backed by a sovereign state. Venezuela is legitimising crypto currency.**

**Government backing is worth more than oil, surely, at least domestically. Any government can issue a crypto just based on that, alone. If a government slaps "In Crypto we trust" on a piece of paper and you can pay your taxes with it? Voila, you have a legal currency.**

**Cryptos are valued on what's backing them: usually it's technology, sometimes it's just functionality. For the very first time - it's the state.**

It's my opinion that Caracas is backing the Petro with oil to allay the fears of investors (as well as for price stability). Are you holding stock in oil with the Petro? Yes, technically, but you are also holding stock in the 30-million strong

Venezuelan nation, and the backing of the People is - by definition - revolutionary and progressive.

Crypto-currency has a love-hate relationship with governments: simultaneously hating their regulations and taxes but also greedily craving their acceptance (which would also confirm their fortunes).

What the Petro shows - to the near-complete befuddlement of the average capitalist/libertarian bitcoiner and bitcoin media - is that only capitalist governments should be feared; and also that the root of bitcoin is leftist: bitcoin should exist to help the People, and not just the individual. And it will...starting with Venezuela.

**One can easily see how a successful government backing will give mucho legitimacy to the entire crypto asset market - crypto clearly works. Yes, the Jamie Dimons of the world look down on the Venezuelas, but he forgets that we're not all rich White men: most of us in the world actually side with the Venezuelas because we're aware of a little dynamic called "class".**

**All of the above is really rather incredibly important, no? It clearly marks a major shift in crypto, in finance, in the use of money, in politics, in history.**

**Venezuela is going full-crypto...as a domestic currency**

That's actually the biggest bang here, which is being ignored by most bitcoin media: Venezuela is not simply creating a new type of bond, it is going to foster a new, complementary monetary system based around crypto-currency.

Petro's White Paper - the intellectual foundation provided by every crypto - was just released on January 30, and it has gotten mostly-admiring reviews (what, hard-working civil servants aren't so much dumber than greedy 20-year old capitalists?). All it lacks is a "road map" to contain

everything a good white paper needs. Here's the main thing to take away from it...

The white paper says, and these are the magic words: "You'll be able to pay taxes and state fees with Petros...The Venezuelan government will pay you in Petros...You can maintain your books in Petros...If you accept Petros, you will get tax credits and/or rebates. That, right there, is the creation of a currency. Not a fake one you can use with your gamer-nerd friends, but a true, national, sovereign currency.

Venezuela will thus undoubtedly be the first closely-watched test case for the use of crypto-money as a daily currency. Not Bitcoin, not Litecoin, not Vertcoin or Ethereum - Venezuela. Supremely intelligently, Caracas is spurning the free market in favor of socialist central planning: they are going to encourage and subsidise the use of the Petro as a domestic currency in order to promote mass adoption.

This is also hugely important: 45% of the ICO will go towards building the "Petro Project", its "Ecosystem Development" and "Technological Development" (with "special emphasis on applications of the blockchains to improve productivity and transparency in companies and state agencies").

So we are talking about potentially \$3 billion of foreign investment going to create the infrastructure Venezuela needs to establish a permanent, government-backed crypto-currency. No other nation can claim that. The other 55% will go the national sovereign fund.

Creating and fostering crypto as a sovereign national currency as well as massive crypto ecosystem development on a national scale? That sound you are now hearing is the Doppler Effect produced by these two enormous velocity surges on the theoretical "mass adoption of crypto" timeline.

**It is also revolutionary progress, because crypto will free Venezuelans from the feudal [financial] bonds of neo-**

**imperialism.** (If you are interested enough to read this article I assume you already know that Bitcoin was specifically created to declare war on high finance...is the pin for all their different bubbles...crypto aims to unbank the (usuriously) banked...to force central banks to break with neoliberalism and re-institute pro-99%, socialist-influenced economic policies...to end the US dollar's imperial dominance, etc. (and it'll give you fresh breath, too!))

On a philosophical level, the Petro is the first crypto which is not just a way to make money or transact money: The Petro is a way to safeguard the money of the Venezuelan people.

Finally, a country is using their head with crypto: This is not something to be primarily used in China or Poland or to buy sushi in Japan - it's to be used in Venezuela as a safe, controlled, anti-inflationary currency. It is not trying to change the world - it's trying to change Venezuela for the better...and Venezuelans can thank the far-sightedness of the Maduro government.

For those who write absolute nonsense about the Petro in order to demonise Maduro, Venezuela and Chavismo - "dictator", "totalitarian", etc. - I include this key line in the white paper: "The payment of extraordinary labor commitments and benefits in Petro will be encouraged, as well as accumulated social benefits, provided they have the expressed individual approval of the benefited worker." (bold mine)

You're a government worker who still wants to get paid in good old bolivars? LOL, really? Well, it's your right to be a luddite...

All in all...the first state-backed crypto-currency is an amazing development, and one which arrived much faster than most expected. Wartime conditions will do that...

What benefits will mass domestic adoption bring Venezuelans?

Because, again, the Petro is primarily for the benefit of the Venezuelan People.

First of all - for all those rigid, absolutist thinkers - this is not "mass adoption" in the sense of "Venezuela has no paper money anymore". That's ludicrous - 85% of global transactions are done in cash. Hard-headed bitcoin-naysayers don't realize that if crypto takes just 3% of all global transactions in the future...wow, that's a great investment in 2018.

But I can actually make a nearly-perfect estimate of what "mass adoption" means in the Petro's case: 3% of Venezuela's population.

That's because the only way to access or use the Petro was to have signed up with the The Registry of Cryptocurrency Miners, and nearly 1 million people did (registration is now closed). Therefore, in a country of 31 million people there will be 3% of the population who are authorised to use Venezuelan crypto (and who will be monitored, thus preventing illegal activity (sorry, anti-social libertarian bitcoiners)).

Let's estimate that all of Venezuela's government transactions and spending - taxes, wages, subsidies and credits, etc. - take up one-third of all GDP. One-third of 3% (the population authorised to use the Petro) - is 1% of all GDP.

Venezuela's GDP is roughly \$350 billion. Therefore we can guess that the Petro will handle 1% of that - which comes out to about \$3.5 billion in its first year.

This passes the common sense test, at least: you can't go fully-crypto overnight. It has to be rolled out slowly, tested, etc.

What's \$3.5 billion worth in hyper-inflationary Venezuela, though? Well, duh - that's exactly the point of the Petro! To fight their inflation!

The Petro is immune to inflation, because like all good

cryptos it has a fixed total: 100 million petros. Inflation is thus impossible. LOL, there will be no massive printing of Petros and called "Quantitative Easing"...and thus you find yourself paying 4 euros for a can of orange juice on a privatised toll road (as I do in France). You cannot mine Petro: it is "pre-mined" and totally controlled by the government. In the modern age of high finance, price inflation and the value of the national currency is something which governments no longer have sovereign control over - thus the Petro.

The Venezuelan government is essentially creating a new, secondary currency which only they control. You don't have to be a government worker to use it, but you do have to work with the government on this radical initiative.

So the Petro is the best of both crypto arguments: it is both a store of value and a currency. Case closed.

The only way to destabilise the Petro would be to destroy the price of oil; even then, this only ruins the foreign investors, because as long as the government accepts the Petro as taxes it has a definite, immutable use inside Venezuela. This is called "economic sovereignty", which has become a foreign concept in the post-Soviet world of Anglobalization.

Inflation has been artificially stimulated in Venezuela by US-based websites such as DolarToday, which is accused by even Venezuela's right-wingers of lying about the value of the Venezuelan bolivar in relation to the US dollar, thus increasing inflation, fomenting instability and discrediting the government. Speculators launch attacks on the bolivar in order to send the price up or down, profiting from volatility - that's all traders want, after all - while simultaneously discrediting the government, Chavismo and socialism in general.

Financial speculators have obviously wreaked havoc on

governments for centuries in numerous countries; illegal black market supporters like Miami-based (the heart of reactionary thought for the Spanish-speaking world) DolarToday criminally leech away the power of the Venezuelan People - to control their very own currency via their government and the authority of their central bank. With the Petro, the government obviously regains control over exchange rates on the crypto currency, at least. They determine what is worth, because they control it all. Thus the Petro.

So this new currency will likely be limited to something like 1% of the economy at first, but this is an amazing development which will allow the Venezuelan people to regain democratic control over the economy - neoliberalism is the enemy of such control, of course.

In short...the Petro is an obvious solution, and is a guaranteed success. The government says it's a currency...therefore it is. It cannot be manipulated. It's only weak spot is poor management. How could it possibly fail?

And that's why it is being attacked, and why people are saying that Maduro, LOL, is going to use this as a way to line his own pockets. Yeah, it's the socialists who are the biggest crooks to fear, not the capitalists... And I hardly think Venezuelans care what CNBC thinks of the Petro, either.

**I'm not aware of what private goods can be bought with the Petro, but the government obviously needs to create "Petro supermarkets" so government workers can buy goods at controlled prices.** This is stealing a page from capitalism - the "company store". But instead of rampant inflation, high prices and being an object of detestation, there should be low, subsidised prices, stability and control for the benefit of the workers. This is obviously temporarily elitist in a sense, as it is not open to all, but such concerns have to be temporarily disregarded: it is certainly the most cost-effective use of the People's taxes, and its success will

inspire more demand for adoption of the Petro.

Venezuela has had a massive advertising campaign to support the Petro, so their people are ready and waiting. We know they are needy, after a 2017 with Ukraine-level foreign destabilization which was courageously fought off by die-hard Chavistas, who are never going away. Given their hyper-inflation, the certain success will the Petro will mean mass adoption - at a pace controlled by the government (i.e. the People), of course.

So, beyond the "test case" aspect of interest to the entire world, the Petro is an obvious solution to Venezuela's inflation problems. At just 1% of all transactions this is not an immediate savior, but it's a start...

### **How does this affect Venezuela in a foreign policy sense?**

As I have described, the immediate use of the Petro is to raise foreign money in order to create the world's first crypto ecosystem, and then also to provide an alternative to its hyper-inflated currency.

So international trade with the Petro - when they are the only country with a national crypto - is obviously down the line, no?

But just to examine that question: Just like Iran and other bold, proud nations, Venezuela is subject to banking sanctions which aim to cripple their economy. ANY solution which aids Venezuela in avoiding US banks and the SWIFT payment system is a Godsend. Thus the Petro.

**Venezuela wants this to be an international project: Maduro has called on all the 10 countries of ALBA (Bolivarian Alliance for the Peoples of Our America) to "...assume the Petro as the integration currency of our peoples." These countries include Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Lucia, Saint Vincent and the Grenadines,**

**Saint Kitts and Nevis, and Grenada. Nevis is a tax haven - they steadfastly refuse to sign any taxation treaties with other countries.**

**Why is that important? Because the weak point in bitcoin remains the point of interface between the bitcoin world and the real world: i.e., when you cash out. A government can ban cashing out...but ALL governments, LOL, will not. Nevis is a place where capitalism has created a situation where anything goes - if they undo places like Nevis, they necessarily have to also undo the non-crypto accounts...and that is not going to happen. It's a fantasy to talk of "invading" such places - another one will simply sprout up to meet demand, and they cannot invade them all. I bring this up to say: one day Nicaragua and Venezuela can exchange Petro back and forth, exchanging goods and services without being controlled by the Americans, and then when they need to "wash" it for use outside of the ALBA Petro-zone they can send it to places like Nevis...or Luxembourg, Isle of Man, and probably Delaware, shortly.**

**But imagine the Petro tied to not just ALBA, but a Russian crypto-ruble?**

**[dropcap]R[/dropcap>ussia literally sold out to the Americans in the 1990s, and it was a social catastrophe. They want to keep their sovereignty now, so they are supporting bitcoins, which is why Prime Minister Dmitry Medvedev just called on the Eurasian Economic Union countries to jointly develop a common approach to cryptocurrencies - and it's not going to be to ban it. The EEU will certainly have their multinational version of ALBA's Petro, because why on earth would a country under Western financial sanctions eliminate this unthinkable miracle to get around them? Russia is a superpower and a democracy (and with a true leftist force in politics) - they are not some weak US/French/UK puppet politically, culturally, militarily, financially, etc..**

The EU cannot stop trading with Russia...unless they want to ruin their own economies, and also freeze in the winter. So Venezuela is a big stepping stone, as would be Iran, but a Russia or China makes national cryptos unstoppable. Heck, I'm excluding Japan and South Korea simply due to their political alliances...but those change, and those two nations are 2 and 3 in commitment to bitcoins (behind Venezuela). But Japan and South Korea are under US military occupation, after all...

Again, we are not talking about hundreds of billions of dollars in Venezuela's crypto market in 2018, but - long-term - increased crypto usage will obviously allow Venezuela to evade the murderous blockade/sanctions against their foreign trade.

**I proved the (mostly ignored) leftist utility of bitcoin in the very first sentence of this article: evading Western sanctions means sanctioned nations can buy medicines. It's that simple, and it's as real and immediate as a heart attack. Supporting the Petro is thus a moral issue.**

I certainly hope Iran is watching closely and is ready to follow up with an Iranian Petro. Safety in numbers... The vast amount of news from Iran is positive, and a policy should be issued in a few months.

The Petro is not a 'true' Crypto

[dropcap]L[/dropcap>libertarian-style, voluntarism-espousing, tax-avoiding bitcoiners - the ones who despise all government (which must include me, as I am a civil servant, and paid by taxes) - say that any bitcoin which is backed by the government is "not a true bitcoin".

Well, that's just, like, your opinion, man.

What a dumb, ivory-tower conversation to have! For countries like Venezuela, under literal attack, such conversations can remain confined to the imaginary cyber-realm. What can the

Petro do for the Venezuelan people now, that's a practical, tangible question. Why do cyber-geeks who got into bitcoin because they played video games 6 hours a day get to decide what is "real crypto" and what isn't?

But fine, on a theoretical level I'll agree: The Petro is essentially fiat, theoretically.

Well...printing money is what governments are supposed to do. Why can't they print crypto, too?

My problem - everyone's problem - is not with the printing of money, it's that Western central banks have used their fiscal policy in a neoliberal capitalist way to enrich the 1%, instead of the masses, in a socialist way.

On a practical level - stable store of value, daily use, local control, deflationary, tool against high finance - the Petro is most definitely crypto. It doesn't tick all your boxes, though? Go complain to someone who cares, nerd, Venezuelan socialism rolls on!

What's undeniable is that socialist-supporting Venezuelan citizens have been targeted with an international campaign of destabilization to create economic turmoil and foment regime change: if they want to retain their sovereign right to pursue Chavismo - or, socialism with Venezuelan characteristics - they need both radical steps and innovative solutions, and they remain unconcerned with your labels. Venezuelans want to win, not just debate.

Still oppose the Petro? Well, you're standing alongside the 1% of Venezuela. Their Senate voted to stop the creation of a crypto. It's not as if those in the Senate are suffering, so why not prolong it? Without a vanguard party supported by a modern popular revolution...these rich, status quo-maintaining sellouts are your leaders, wherever you are reading this. What if the Petro works, I mean really?

LOL, mass adoption in your own country ASAP.

A way to regain control of your nation's currency and prices away from high finance's speculators? Fuggetaboutit. Refusal to do so would prove that your country's politicians are working solely for the 1%, and thus undemocratically. What populace wouldn't demand their own crypto, if it brings down the price of a can of orange juice?

Sweden, Estonia, Singapore - all are studying national cryptos, but Venezuela is forced to move fast. Sweden can take their time - that's the luxury you gain by making your fortune through aiding the Nazis...

Sweden has the money to pay \$2 billion for crypto infrastructure, but Venezuela does not - it needs some foreign investment. Sorry, communists who are misguided: the tools of capitalism are to be used to create socialism, and the key is controlled foreign investment. Getting money into the country is simply a must sometimes (on the People's terms as much as possible) - and what's more effective to raise money in 2018 than a crypto? Thus the Petro.

I don't see any risk for the Venezuelan people: after all, they can't buy it. The ICO will only be open to foreign investors, so if anyone "gets robbed" it will only be foreigners. After the initial sale the Petro could be sold in exchange for local bolivars, but definitely not before. That's why this is best termed as a "foreign bond sale" (usually in socialist countries it's the opposite).

Can you redeem your Petro for a barrel of oil? LOL, why would you? But this lack of easy convertibility has some people uneasy. I guess they also cash in their securities for bushels of soybeans? As I stated, the Petro is in reality backed by the authority of the Venezuelan people more than oil, so be clear on what you are investing in: humanity.

There's another issue: The price of the Petro is tied to a

reference price of the Venezuelan barrel price of the previous day. What their white paper didn't make clear is: so what determines the price of oil? Is it dollars, bolivars, or the price of ethereum, which they'll be accepting for the ICO of the Petro, because all three of those fluctuate as well? My bet is that it will ultimately be the US dollar. I don't think this is that big a deal - the government will choose the most stable price tie possible.

Will the Petro make you money as an investment? You and your crass concerns! Me, I live on high-minded thoughts....

The ICO will, as always, give discounts to the early investors. I can't say what it is, but that means it will be less than \$60 per Petro, obviously. When the ICO is over and it goes public, you'll see an instant valuation upwards to \$60, the price of oil, thus you make money.

When the ICO is over, and you can use cash to buy a Petro, then you are partially investing in oil futures. But a bet on the price of oil increasing or remaining stable, as opposed to your inflating currency (which is gaining almost zero interest in a private bank, which is charging you fees while they invest your money)...is still a much better bet, both financially and ethically.

However, you are also investing in the Venezuelan People in the sense that you are betting that the Petro will be used, and thus can be exchanged for goods and services in Venezuela, and thus has a steady store of value...once again, unlike your inflating Western currency. It seems to me that the stability provided by the use of the Petro in Venezuela would, theoretically, give it some value-added above the price of oil, no?

Domestic opposition exists: "I remind President Maduro that the hydrocarbons law prevents him from using the country's oil reserves without parliamentary approval," wrote opposition

legislator Angel Alvarado on Twitter earlier this month.

Lousy bourgeois/West European aristocrats givin' democracy a bad name...I say, "Roll on, Chavistas!" Time to cut ties with bourgeois/West European democracy!

The biggest threat obviously comes from the US. Ghadaffi's "gold dinar" and other efforts to break free of dollar domination are not met with lightly, history proves. But what does Venezuela - and Cuba, Iran, Russia and others - have to lose? They are already at war with the US, or rather, the US and their Western allies are at war with them. Venezuela, as 2017 proves, cannot dither - they must implement radical changes to survive ongoing imperialist attacks.

Buying the Petro is a way to support not just socialism, but also anti-imperialism and the right to local sovereignty. Indeed, the Petro is the first chance provided by a bitcoin to clearly support a leftist government or cause.

In the US you might be subject to prosecution for breaking US sanctions on Venezuela if you buy Petro. That alone will inspire many people worldwide to buy a Petro or two.

Bitcoin's history has not been all right-wing capitalism - not hardly - but that has been the phase it has been stuck in since August 2017: the Petro inaugurates a new phase.

Crypto-currencies can be used for private benefit, ok, but they must be used for public benefit. The public comes first.

That is what the Petro is doing, and why socialism is fulfilling the true promise of bitcoins: liberating the People from the bonds of capitalism. Thanks goes to Venezuela for leading the way.

#### About the author

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