

Bitcoin Has Saved My Family

“Borderless money” is more than a buzzword when you live in a collapsing economy and a collapsing dictatorship.

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By Carlos Hernández

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This essay has been updated to reflect news developments.

CIUDAD GUAYANA, Venezuela — On Tuesday, I went shopping for milk. With the chronic food shortages in Venezuela, that errand already is very complicated, but there’s an extra layer of difficulty for me: I don’t own bolívars, Venezuela’s official currency.

I keep all of my money in Bitcoin. Keeping it in bolívars would be financial suicide: The last time I checked, the rate of daily inflation was around 3.5 percent. That’s *daily* inflation; the annual inflation rate for 2018 was almost 1.7 million percent. I don’t have a bank account abroad, and with Venezuela’s currency controls, there’s no easy way for me to use a conventional foreign currency like American dollars.

Things just keep getting crazier here. Venezuela now has two presidents. One of them, Nicolás Maduro, wants to take on the British billionaire Richard Branson in a competition of charity concerts. While we Venezuelans are going hungry, there have been violent standoffs over humanitarian aid piling up at the borders with Colombia and Brazil. And before I can buy milk, I need to convert Bitcoins into bolívars.

Actually, that part is easier than you might think. I go through the listings on LocalBitcoins.com, the exchange that most Venezuelans seem to use, looking for offers to buy my Bitcoins from people who use the same bank I do; that way the wire transfer can go through immediately. Once I accept the offer, the Bitcoins get deducted from my wallet and are held in escrow by the site. I send my banking information to the buyer and wait.

After the buyer sends me the bolívars via wire transfer, I release the Bitcoins from escrow and they are transferred to the buyer’s Bitcoin wallet. We give each other a positive score, and that’s it. The whole process takes about 10 minutes.

Turns out, I’m not the only Venezuelan using cryptocurrencies. The local market for Bitcoins broke a record on April 17, reaching \$1 million worth on that day alone, Bloomberg reported. Venezuela has been ranking second worldwide in volume of activity on LocalBitcoins.com, after Russia. According to Coin Dance, a website that monitors cryptocurrency transactions, during the week ending on Feb. 16, people in Venezuela traded about \$6.9 million on LocalBitcoins.com, compared with about \$13.8 million in Russia. (I’m converting at the average Bitcoin exchange rate CoinMarketCap applied that week.) That’s saying something for a country in its fifth year of a recession, whose economy contracted by some 18 percent in 2018.

I can’t change too many Bitcoins at once, though. The government doesn’t monitor cryptocurrency transactions (yet), but it does monitor transactions in bolívars — and any worth about \$50 or more will automatically freeze your account until you can explain to your bank where the funds come from.

Still, you could say that cryptocurrencies have saved our family. I now cover our household’s expenses on my own. My father is a government employee — in a printing department with no paper — and earns about \$6 a month. My mother is a stay-at-home mom with no income. And cryptocurrencies helped my brother Juan, 28, escape Venezuela last summer.

For years, he tried to make it as a lawyer here, but in times of hyperinflation, everyone is constantly getting poorer, including a lawyer’s clients. Juan was earning so little that he was actually spending money to work (buying stationery, taxi fare). Eventually he gave up.

Early last year, he started doing graphic design and translations online. But most websites pay for freelance work through PayPal and the like, which we can’t use because exchange controls here allow Venezuelan banks to use only local currency. (For the outside world, even those of us who have bank accounts here are effectively unbanked.) So Juan had to turn to cryptocurrencies to get paid.

Thanks to those earnings, he started thinking about leaving Venezuela. He was able to buy what he needed for the trip to Colombia: clothes, a backpack, a smartphone. He put some money aside. He even gained a little weight, an anomaly around here these days.

Cryptocurrencies also helped him during the four-day trip itself. Venezuelan military personnel at the borders have a reputation for seizing the money of people who want to leave, but Juan's, being in Bitcoin, was accessible only with a password he had memorized. "Borderless money" is more than a buzzword for those of us who live in a collapsing economy and a collapsing dictatorship.

The plan was for him to send money home — through cryptocurrencies — after he earned enough. Western Union converts remittances into bolívares at the official government rate, which often is about half of the rate on the black market. Some intermediaries do convert at the black market rate, and many of my Venezuelan friends living abroad use those. But if you don't have a trusted trader, you can easily get scammed. And the government has been trying to shut down go-betweens like those for years. Using Bitcoin is cheaper, faster and safer.

We had it all figured out. But then Juan couldn't find a decent job in Colombia. After three months he ran out of money, and I had to send him Bitcoins so that he could come back to Venezuela.

And even cryptocurrencies can go only so far.

On Tuesday, after changing my Bitcoins into bolívares — about \$5 worth — I went out for milk. I went to every one of the stores within walking distance of my house that hasn't shut down over the past year. Not one of the 20 had milk.

But I had to buy something, anything, before my bolívares lost value. So I bought cheese, from a store that had only cheese. Well, it also had transparent green plastic bags with no labels and what the seller said was corn flour. But I didn't dare to buy that.

Carlos Hernández is an economist and a contributor to Caracas Chronicles.