

# Oil and Gold: When It's Better to Leave It in the Ground

Perspective #60     John Teevan     January 12, 2024

Venezuela is just now preparing to invade neighboring Guyana in a barely concealed grab for newly discovered oil reserves. It's best to ignore all the convoluted arguments about whose claim is more legitimate or even the worthy environmental issues and rush right to the question of what will Venezuela do with those new oil reserves?

**Remember Spain?** They and the Portuguese raced their sailing ships to the New World to extract gold and silver which they brought back home. How much? Just over 100 tons of gold before 1560 including 24 tons as a ransom for the last Inca Emperor. What did it stimulate? Nothing but paying (handsomely) for conquistadors, the navies to protect the trade, other wars, and to pay off royal debt. The rest went to the castle basement. How much did not make it back to Spain? A lot. In 1708 the San Joaquin and San Jose were sunk off the coast of Columbia; filled with 200 tons of Bolivian gold, silver, and jewels. What's the point of all the travel, excavation, murder, and shipping just to dump it in the ocean for 300 years of oblivion until discovered (but not recovered) in 2015?

**Adam Smith wrote *The Wealth of Nations*** as more of a question. What is the wealth of nations? Long ago nations measured their wealth by land and gold with enough population to enrich the nation, meaning enriching kings. This was barely better than assuring that Pharaohs were well supplied with barges and grain in the afterlife. How? In that no use of land or resources seemed to elevate the lives or even to help ordinary people, or in today's terms, the 99%.

Smith's answer to the wealth questions was that land and resources were not the wealth of nations but that *the people were a nation's wealth* provided that the people were able to work, do business, and trade freely. They needed to be treated as citizens much more than as subjects.

Smith's work was timely in the late 1700s because the world, having left behind the medieval or feudal system, had, with the discovery of the New World, entered a time when overseas trade was the new normal. Far from being like today's globalization with oceans free for all to traverse as they choose, the oceans were seen as protected pathways to newly discovered and conquered lands and people groups. And they were seen merely as existing only to provide extracted wealth to be brought to the mother country (the colonial power) to enrich the old kings and the new merchant traders.

**Mercantilism:** This was not called globalization or free trade. It was called Mercantilism a zero-sum game by which the colonial powers won, and the colonized peoples lost to the point of conquest, occupation, subjection, Europization, slavery, and death. Smith completely rejected Mercantilism in favor of free trade or market capitalism, a system that sought to find new producers and customers not new subjects and slaves. Corrupt governments still have mercantile goals today.

**Back to Venezuela.** What will they do with that oil? If they treat it as they did their own oil it will be badly drilled, badly transported, badly managed, badly sold, and will not enrich anyone but the most corrupt whether they take spoonfuls along the way or drain off millions.

Better to leave it in the ground.

What happened to the last of the Spanish gold from its conquistador era? Some of it sat in Spain until 1936 when the panicked government, during the Spanish Revolution, sent \$700b in gold to Stalin to pay for war material and help. Not paid in paper money, not a loan to be paid after their victory (they lost), but in solid gold bars. Think of that much gold going from the Incas to a Spanish castle to Stalin. When Stalin saw that the government forces were losing, he abandoned them having not only taken most of their gold but having assassinated most of the Spaniards who had worked with him.

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What good has oil done since 1880 in the world? Brought a new level of prosperity and development when used to help people rather than used by the incompetent and corrupt.