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# State Failure in Venezuela

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# STATE FAILURE IN VENEZUELA

By: Marcus Littman

NOVEMBER 23, 2016

STATE FAILURE IN VENEZUELA  
In Partial Fulfillment of the Requirements for the Degree

MASTER OF ARTS  
in  
INTERNATIONAL STUDIES

by MARCUS LITTMAN

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Under the guidance and approval of the committee, and approval by all the members, this thesis project has been accepted in partial fulfillment of the requirements for the degree.

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**Abstract:**

The role of the state is to provide political goods such as security and an environment conducive to economic growth. The Venezuelan state is failing to provide both security and conditions capable of producing economic growth. The government has exacerbated both by enacting failed policies. I measure the economic crisis in Venezuela based on the rates of inflation, falling foreign currency reserves, the food and medical supply shortage, falling government spending, and negative GDP growth. I measure the security crisis based on the escalating rate of kidnapping, human trafficking, drug sales, smuggling, theft, gun distribution, and homicide. In this thesis, I use a mixed qualitative and quantitative method to demonstrate how the Venezuelan state is failing to mitigate the economic and security crises. I examine what it is to be a failing and failed state and define what it is that makes Venezuela a failing state.

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## **Chapter 1: Introduction**

The debate regarding the validity of terms such as “failing” or “failed” states is the object of contentious scholarly debate. In this thesis, I engage that debate by defining what it is to be a strong, failed, and failing state while addressing criticism of the terms. Two of the main roles of the state is to provide security from political and criminal violence and to create environments conducive to the growth of economic opportunity (Rotberg, 2003). I define Venezuela as a failing state as measured by both its’ part in creating the conditions that have led to the security and economic crisis, as well as its’ inability to mitigate them.

The state failed in measure of its ability to create an environment conducive to the growth of the economy. State policies enacted by the state such as overreliance on oil as a source of revenue, overreliance on imports, market subsidizations, and price controls have led to Venezuela becoming a failing state. I measure this failure based on inflation, falling foreign currency reserves, the food and medical supply shortage, falling government spending, and negative GDP growth. By these measures I contend that the economic system is failing due to state policies.

The state has failed to provide security by measure of the escalating rate of kidnapping, human trafficking, drug sales, smuggling, theft, gun distribution, and homicide. President Chavez’s nationalization of the police and economic policies have created a police force that is ineffective at combatting crime and an economy more beneficial to organized crime.

Venezuela’s economic and security problems are two forces that feed into each other. The failure of the state led economy created the conditions in which citizens are seeking

alternative modes of attaining staple goods like food and employment in the informal economy (black market). Citizens are participating in smuggling as both a means of earning money and buying staples that are lacking in the state controlled supermarkets. Venezuela's large population of young men between the ages of 15-24 are joining gangs because of unemployment and social exclusion. Thus, the amount of money and labor transferring to the black market feeds the power of the street gangs that control it. The money and manpower the street gangs earn from the economic crisis allocates them additional resources that they use to commit crimes, fight rival gangs and the government.

In the introduction, I contextualize Venezuela's economic and security crises in terms of social conditions, political history, and policy decisions as a means of isolating the state's role in enacting policies that have led to state failure. Under President Hugo Chavez, the state initiated an ambitious campaign to centralize and expand its power. Chavez sought to achieve this by nationalizing private and local government institutions. To fund these policies, the government relies on revenue from Venezuela's oil exports. The over dependency on oil and lack of diversity in the economy is the main catalyst of state failure in Venezuela. The drop in world oil prices has reduced the amount that the state has to spend on social programs.

## Political History

Over the past sixty years Venezuela has transformed itself from a burgeoning democracy to a failing state. The state's upward and downward trajectories have been directly tied to the price of its most lucrative resource, oil. Its political and social conditions have been deeply affected by the rise and fall in the price of oil. When the price of oil was high, Venezuela's



leadership could afford lavish social spending. When it dropped, the state has been forced to quell the ensuing social upheaval. The success of the oil sector drove a massive shift from the rural to urban areas.

Following the fall of Venezuela's last dictator, Marcos Perez Jimenez in 1958, the state was regarded for three decades by western observers as the "model Democracy" (Economist, 2001). In a region rife with inequality, authoritarian dictators, and Marxist armed groups; the country appeared to be a stable, democratic exception in Latin America. The fall of Venezuela's dictatorship gave way to a political pact in which the opposing Democratic Action and Christian Democratic parties alternated power over Venezuela's ruling government (Shifter, 2006).

Venezuela's rise to regional prominence was fueled by its economic growth from one of the world's highest volume sources of oil. Venezuela began oil production in 1912 and national domination of the industry occurred in 1974. Venezuela's economic prospects improved beginning in 1973 with the Middle East Oil embargo. The meteoric rise of oil prices led to soaring government revenues, which quadrupled between 1972 to 1974 (Wilpert, 2003). Oil revenues bolstered the Venezuelan government and largely insulated the economy from the political instability and market shocks that characterized most of Latin America.

In the case of Venezuela, the economy revolved primarily around oil. As a result, the country produces few entrepreneurs; all political and business life depends the oil sector. The government's revenue was paid by the country's oil profits, with a diminishing need for money from taxing its citizens. Rather than produce other means of economic production, Venezuela's most educated citizens work in the energy industry. This dependence renders the state vulnerable to fluctuations in the international oil market (Shifter, 2006)

Venezuela's security and economy deteriorated in the 1980s; peace returning to the Middle East and the subsequent fall of oil prices brought the fall of wages and unemployment. As a result of the drop in oil prices, the economy fell about 40 percent between 1980 and 1990 (Shifter, 2006).

Through the 1980s and 1990s Caracas maintained steady population growth as people continued to transition from the rural to the urban sector. From 1989 to 2016 Venezuela has endured a dramatic increase in popular protests. Beginning in 1989 Venezuela, under advisement of international monetary organizations like the World Bank and the International Monetary Fund, began undergoing structural adjustment policies (SAPs). These SAPs extended a series of austerity measures aimed at curbing government expenditures and reigniting the economy. The policies involved firing thousands of workers. As a result of massive unemployment there were an increasing amount of protests while the crime rate rose. The protests represented a fraying of the political pact in Venezuelan politics. The pact was fractured by a series of coup attempts beginning in the early 1990s (Haggerdy, 1993).

The crash of the economy and the strain brought about by structural adjustment policies left the Caracas government unable to expand its police force and bring about the number of jobs needed to meet the demand of the rapidly expanding populace (Shuford, 2016). Urban scholars refer to cases like Caracas, in which migration and birth rates exceed existing resources, jobs, and public services capability to accommodate them, as "overurbanization." The result is large urban slums like Petare, Catira, Pinto, Salinas, and La Vega (Bahaug, 2013). One of the most damaging side effects of rural to urban migration in Venezuela is the lack of domestic production of food; a problem I will discuss in greater detail in the economics section.

The February 1989 riots had been a markedly violent set of protests for Venezuela, leading to an unusually high incident of homicides and looting for the country. The reforms also led to two attempted coups in 1992, namely that of the future president Hugo Chavez, and constant public demonstrations against the Carlos Andres Perez (1989-1993) government. Street crimes like break-ins and muggings rose precipitously following the reforms in the early 1990s. Widespread dissatisfaction with the government and growing inequality created the ideal conditions for the Bolivarian Revolution, Chavez's populist movement. The Bolivarian Revolution marked the end of Venezuela's political pact.

### Political History

In 1998 Venezuela elected Hugo Chavez, a former Lieutenant Colonel and paratrooper and leader of the 1992 failed coup against the government. He came to power along with his United Socialist Party of Venezuela (*Partido Socialista Unido de Venezuela*, PSUV). Chavez, having come from a poor background and raised by way of his own merit, served as an inspiration for Venezuela's poor and disenfranchised. The social upheaval of the 1980s and 1990s provided the conditions by which Chavez was able to challenge Venezuela's ruling elite. He charged the old guard with corruption and having lost touch with the average citizen. He promised revolution in the style of his idol and pan-Hispanic revolutionary Simon Bolivar. Chavez, due to his humble background, resonated with the poor and disenfranchised in Venezuela, enabling him and his fiery rhetoric to stoke the rage directed at the country's elites and the United States (Shifter, 2006). According to Venezuelan scholar Steve Ellner: "The Chavez government implemented anti-neoliberal reforms in 2001. It was defying the promise of the Washington consensus that any strategy other than macroeconomic formulas was doomed to

failure. Chavez's survival in power increasingly undermined the validity of this dictum.”  
(Ellner,2008).

The policies of Chavez's Bolivarian Revolution revolved around his idea of “21st Century Socialism” in which the country's economy and public policy were centralized. These policies involved nationalization of industries like agribusiness and energy as well as police and military reforms. These policies led to diminishing production of both oil and food as well as a rising crime rate (USDA, 2015). Chavez's government took a direct approach to Venezuela's economic and social policies thereby implicating his government in the negative consequences that ensued.

#### Chavez Nationalizations

The Chavez regime engaged in a campaign of centralization and economic intervention. To fund his expansive domestic policy agenda, he needed a larger budget. As a means of increasing state revenue to fund social programs and to displace his opponents, Chavez engaged in a campaign of nationalizations of private industry. In 2007 Chavez nationalized a majority stake of four oil projects, \$30 billion worth in Venezuela's Orinoco crude oil belt. The result was capital flight as major investors in the region's oil fields, Exxon Mobil Corp and ConocoPhillips, pulled out of the country. Other large investors such as Total SA, British Petroleum, Chevron, and StatoilHydro ASA reduced their holdings (Reuters, 2012).

In 2009 the government seized assets from two other energy companies, Williams Cos Inc and Exterran Holdings and nationalized a rice mill operated by the U.S Cargill Inc. In 2010 the government seized eleven oil rigs from Helmerich & Payne Inc and nationalized Fertinagro, a nitrogen fertilizer company, and Agrosilena, an agricultural company. That same year the

government seized control of Banco Federal (Reuters, 2012). As a result of this nationalization campaign, Chavez's government took direct ownership of agribusiness and the energy sector and facilitated a relationship in which the government depended solely on oil as a lifeline for the functioning of his social welfare agenda.

### Chavez Economic Policy

Another major component of Chavez's social agenda was to provide affordable food to Venezuela's poor. To achieve this end, he depended on a system of subsidization and price controls. Because Venezuela is 89 percent urbanized (USDA, 2015) and only produces a small portion of its own food, he could not immediately change its agricultural outputs. The government chose to subsidize supermarkets and implemented a system of price controls and a complicated currency exchange system as a means of maintaining artificially low food prices (USDA, 2015).

During the beginning of Chavez's regime, the government declared "economic war" on Venezuela's private sector and nationalized much of its' food production. It created a state-run grocery chain called "MERCAL" that controls 45 percent of the country's supermarkets. It also created the Bolivarian Republic of Venezuela (BRV), which now manages 70 percent of agricultural inputs such as fertilizers, seeds, and other farm equipment (USDA, 2015).

One of the policies implemented by Chavez and maintained by Maduro is price controls. Price controls were implemented in 2003 and set a price cap for what producers can charge. Subsidized food at MERCAL stores are sold at a 40-50 percent discount. If production costs rise, producers are not allowed to increase prices. As a result, producers that are incurring greater production costs choose to stop producing rather than lose money. This policy has stifled

agricultural production and continued Venezuela's reliance on imports to feed its' population (USDA, 2015).

### Domestic Agriculture and Reliance on Imports

Venezuela's agricultural production has not kept pace with its consumer demand. Venezuelan agriculture has endured a decline in production due to a fifty-year trend of farmers depopulating the countryside for jobs in the city. It currently depends on imports for 70 percent of its domestic consumption (USDA, 2015).

#### Trade

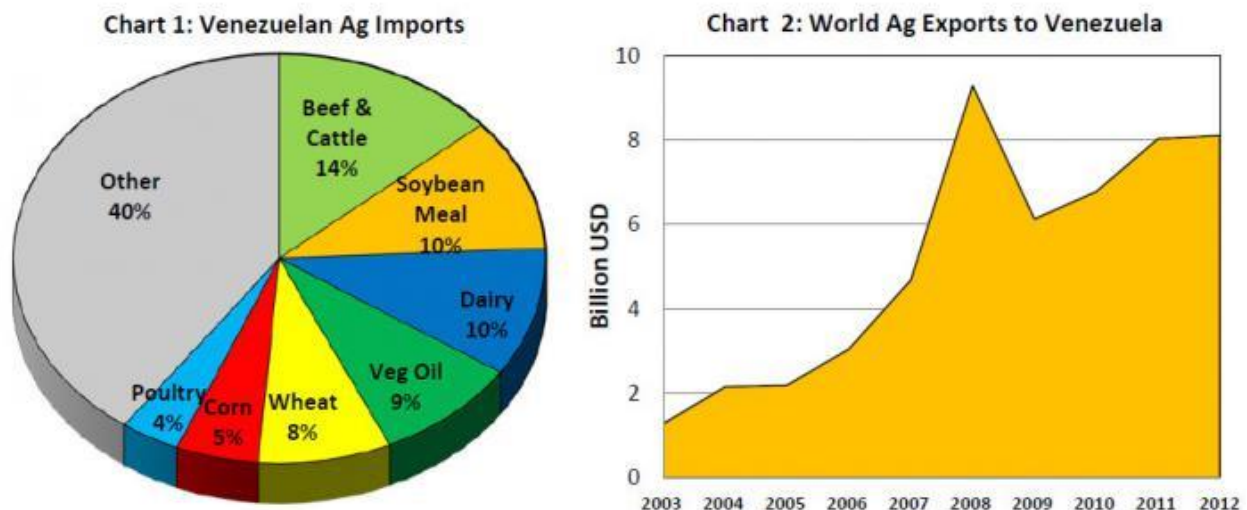


Fig.1. Rise in World Ag Exports to Venezuela, 2003-2012. Graph from United States

Department of Agriculture, *Venezuela: Prospects for U.S. Agricultural Exports*

Venezuela's food supply is inextricably linked to its production and sale of oil on the global market. If oil prices are too low that negatively impacts the state's ability to import food.

Venezuela could offset its' overreliance on imports by increasing domestic production. The state

has attempted to do so with modest success. It has failed to keep pace with population growth and consumer demand. Chavez's regime created a system in which farmers and producers cannot make a profit from farming. The state's use of price controls keeps Venezuela overly reliant on imports (USDA, 2015).

### Security Failure

The state's failure at maintaining security in Venezuela is due to the economic crisis and its' implementation of ineffective policies. The unraveling of the formal economy and ensuing food and consumer product shortages have driven growing dependence on the informal economy. Venezuela's economic problems consist of currency collapse and a food shortage caused by price controls and overreliance on imports. People in Caracas make up for lack of goods in stores by engaging in smuggling food from Colombia, and selling cheap Venezuelan gas in Colombia. People in Venezuela are engaging in smuggling as a means of feeding themselves and their families. The Venezuelan government estimates that illicit trade is worth more than \$2 billion. The informal economy is proving to be more lucrative than formal economy jobs, luring many people away from their legal jobs to the black market. The booming black market economy is also feeding the coffers of corrupt government officials and gangs (Gupta, 2016).

Lack of economic opportunity in the formal economy is placing pressure on young men to join gangs to earn money and people to depend on black markets to gain access to food and everyday staples. The deviation from dependence on the formal economy and lack of trust in government is forcing people to turn to organizations like criminal gangs for their livelihood and

security. The black-market economy growth in turn feeds the growing strength of gangs (Gupta, 2016).

### Inequality and Social Exclusion

The economic crisis exacerbates existing inequality in Venezuela. The poor used to be able to go to government-subsidized grocery stores to buy affordable food. Now they must wait in lines that can take up to ten hours for a limited supply of basic items. The wealthy who have access to the U.S dollar through Venezuela's exclusive currency control market are the only people who can afford to pay black market rates for goods like flour, meat, and pasta. The food shortage and currency controls make inequality starker. (Navarro, 2016).

According to Morgan Kelly, professor of criminology at the University of Warwick, inequality increases crime rates. The economic theory of crime is that areas of high inequality place poor individuals who have low returns from market activity next to high income individuals who have goods worth taking, thereby increasing the returns to time allocated to criminal activity. Strain theory argues that, when faced with relative success of others around them unsuccessful individuals feel frustration at their situation. The greater the inequality, the higher this strain and the greater the inducement for low status individuals to commit crime. Social disorganization theory argues that crime occurs when the mechanisms of social control are weakened. Factors that weaken a community's ability to regulate its members are poverty, racial heterogeneity, residential mobility, and family instability. In this case, inequality is associated with crime because it is linked to poverty: areas with high inequality tend to have high poverty rates (Kelly, 2000).



The impact of inequality on crime study conducted by Kelly found that “for violent crime the impact of inequality is large, even after controlling for the effects of poverty, race, and family composition. Although most crimes are committed by the most disadvantaged members of society, these individuals face greater pressure and incentives to commit crime in areas of high inequality (Kelly, 2000).”

Gross Inequality is not especially high in Venezuela in comparison to other countries in Latin America. Inequality in Venezuela currently is based on lack of access to the U.S dollar, and food and other staples. Another characteristic that defines inequality is social exclusion. Social exclusion, which has the same effect as inequality, is the biggest factor in regards to what is affecting Venezuela’s youth population. (Antillano, 2015) The number socially of excluded Venezuelan youth, those not receiving employment or education benefits, is especially high.

The World Bank places youth (ages 15-24) unemployment at 17.1 percent in 2014 (World Bank, 2014), twice Venezuela’s average (El Universal, 2014). Venezuela’s government has not produced statistics for 2015-2016. Venezuela’s large, unemployed youth population make it vulnerable to civil conflict and gang violence (The Economist, 2016). The lack of employment, food and other staples makes Venezuelan youth ideal recruits for gangs engaging in lucrative black market activities like smuggling, trading in guns and drugs, kidnapping, and other crimes.

### Police Reform

Part of Chavez’s campaign of expanding and centralizing state power was police reform and establishing citizen militias. Police reform included the nationalization and politicization of Caracas local police. Chavez saw the police as oppressive instruments of capitalism and

encouraged a more relaxed approach towards poor barrios. This led to a less responsive police force that enabled street gangs to gain power from criminal enterprises and recruit from Venezuela's large unemployed youth population (Carlson, 2013).

As a means of supposedly combatting growing lawlessness and corruption, and to expand his control over Venezuela's justice system, Chavez nationalized the Caracas local police in 2009. This action was part of a wider campaign of government centralization of local government and private institutions. After he disbanded the local police he established the National Bolivarian Police (Policia Nacional Bolivariana - PNB) (Stone, 2011).

The government under Chavez placed restrictions on how the police could use violence due to his belief that "violence and crime have their origin in poverty and capitalism." He believed it was the social conditions of inequality and state repression that led to poor people committing crimes. The policy pursued by Chavez's government was to reduce poverty in the hopes of reducing crime and violence (Carlson, 2013). His policies centered on the idea that the state could combat crime through social justice, rather than heavy handed repression. He claimed "we won't repress; we won't criminalize the people (Antillano, 2015)."

Chavez's government claimed that the local police had been involved in one out of every five crimes committed (Carlson, 2013). He believed that crime is a product of injustices such as poverty and unemployment and social exclusion. He regarded the police under the former regime as being a blunt instrument used by capitalists to protect their wealth.

Chavez's message of social justice found many receptive followers to this message in the masses of Venezuela's poor, urban population who came from families that migrated from Venezuela's countryside to the cities looking for jobs. Chavez spent an estimated \$120 billion a

year on social welfare programs and instituted policies that benefitted the poor like price controls, which prohibited businesses from charging a government mandated amount for food and other staples, and paid for it using Venezuelan oil (Romo, 2013). He engaged in a campaign of economic warfare against the private sector and radically altered the police force and military which he perceived as being enforcers of the former capitalist system.

## Gangs

The power of gangs in Venezuela is born out of social exclusion and economic crisis. The growing power of street gangs is the cause of rising crime rates in Venezuela. The ranks of these gangs are fed by a large growth in the 15-34 age male demographic, or “youth bulge (Economist, 2016.” A large portion of these young men is unemployed making them ideal recruits for militias and organized crime. The rising power of gangs comes in conjunction with the failing power of the state.

Due to the economic crisis and failing power of the state, elements of the state’s security apparatus are more prone to corruption. Gangs receive support from elements within Venezuela’s police that sell them guns and ammunition (Antillano, 2015). Gangs are mostly comprised of young unemployed men who have received little support from the government especially since the economic crisis began (Antillano, 2015). The Economic theory of crime postulates that individuals weigh the benefits and costs of between legal means of making money and crime based on the potential profit from the activity and the harshness of the punishment (Kelly, 2000).

The combination of lack of effective judicial deterrence, lack of opportunity due to the economic crisis, has led to the growing power of gangs in Caracas. Gangs in Caracas are youth

driven enterprises that thrive because of need and lack of government control. It is young men that make up the largest portion of homicide victims and assailants. The largest of these heavily armed youth gangs are El 70, Carro Loco, and El Lucifer, the largest gangs in Caracas. These gangs exist predominately in the poorest barrios in the Libertador municipality, and are fighting over competing territories and drug distribution rights (Giraldo, 2014).

### The Youth Bulge

Venezuela's demographic conditions make it especially vulnerable to social unrest and rise in crime due to poor policy decisions. Youth unemployment is one of the best indicators of social unrest. According to Raymond Torres, the U.S Labour Organizations chief of research, "The social contract is weakened because of unfulfilled promises (Economist, 2016)." The youth bulge theory portends that populations with exponentially growing young populations are more prone to civil conflict. A large influx of young people is met with a job market that is ill equipped to accommodate all the new workers, the result is a surplus of idle young men. These idle young men are highly susceptible to joining militant groups and gangs (Economist, 2016).

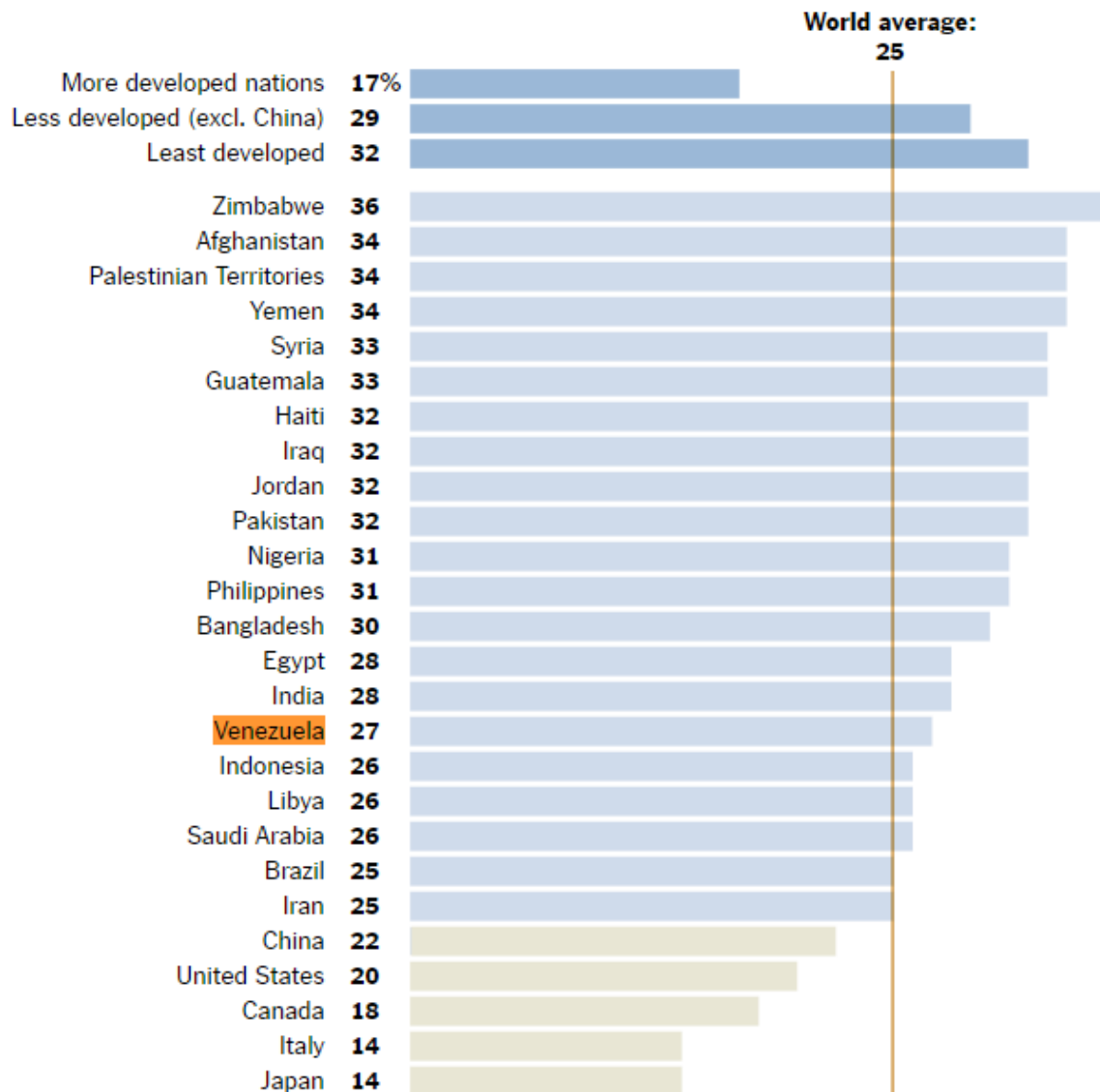
Globally, the people who fight in wars or commit violent crimes are nearly all young men. Henrik Urdal, professor at the Harvard Kennedy School, found that in civil conflicts from around the world between 1950 and 2000 that the "youth bulge" made them most likely to cause conflict. When 15-24-year-olds made up more than 35 percent of the adult population the risk of conflict was 150 percent higher. Young and unemployed men make for cheap and easy influenced recruits for militant groups and organized crime (Economist, 2016).

According to Andrés Antillano, chair of the Department of Criminology at the Central University of Venezuela School of Law, the socially excluded are the most likely to be the

perpetrators and victims of violence. Antillano claims “the new people being excluded are the unemployed youth, those excluded from education, those who haven't been included into society and those that haven't been aided by government policy (Antillano, 2015).” A youth interviewed by Insight Crime, a crime tracking NGO, claims that he and youth like him commit crime because of "the economic needs, the lack of access to education," he says. "The only way we had to get access was by stealing and joining criminal gangs (Caselli).” A growing number of Venezuelan youth during the economic crisis see joining criminal gangs as a viable means of attaining the employment and money that the formal economy is not providing. This is a considerable challenge given Venezuela’s large percentage of young citizens. According to the New York Times population reference bureau, 27 percent of Venezuela’s population is between the ages of 10 and 24.

## The Youth Bulge

Percent of total population ages 10–24 in 2013.



Source: Population Reference Bureau

By The New York Times

Figure. 2. The Youth Bulge 2013. Graph from the New York Times. *The World has now too many young people as never.* March, 5 2016.

Venezuela is above the global average of percentage of their population between the ages of 10–24. A larger share of young men combined with the lack of economic opportunity is what is

leading to a greater number of young men joining street gangs. These young men are joining street gangs because the black market is providing them with the employment and money that the formal economy currently cannot. Due to the profitable black market, free proliferation of firearms, and lack of consistence enforcement by the police, youth driven street gangs have grown strong enough to rule parts of Venezuela's cities with a high degree of impunity (Antillano, 2015).

Youth gangs have filled the void left by a lack of an assertive police presence (Antillano, 2015). They rule Caracas barrios like Petare with impunity, largely due to the lucrative black market and the police refusal to enter gang held territory without permission. The state's inability to occupy these spaces is indicative of state failure. Many of the youth gangs carry modern rifles, side arms, and grenades and portable radios. According to the director of Venezuelan Violence Observatory (OVV) Roberto Briceno Leon, these youths used to deal mostly in Marijuana and fight with knives but from 2004 to 2014 they have increasingly transitioned to harder drugs and upgraded weaponry (Giraldo, 2014).

## Chapter 2: Literature Review

### Introduction

The debate surrounding the topic of failed and failing states is a robust one. There is still a lack of a uniform definition of what constitutes a failed state. The difficulty in the definition of failed state is in part because even in so-called failed states, there is still a governing entity of some kind. Also, the term “failed” insinuates a certain finality, as if a state cannot recover once it has failed. According to critics of the term, it does not take into account that even when state power may be absent, non-state modes of authority can fill the void. Countries where western definition of a nation-state lacks power will always have some other organized actor like a street gang, tribe, or militant group instituting some type of law (Call, 2008).

The seminal question is, how can there be a failed state when there is always some type of governing body filling the void? The question at the heart of this debate is what is a state? In this section I define the terms “strong state”, “failed state”, and “failing state. “To define state failure, one must define what a state is and what it does. According to Rotberg, a senior fellow at the Brookings Institute, the function of the state is to provide “a decentralized method of delivering political (public) goods to persons living within designated parameters (borders).... states focus and answer the concerns and demands of citizenries” They serve the interests of their people by advancing “political goods” that support the particular concerns of its citizens. States “buffer or manipulate external forces and influences, champion the local or concerns of their adherents, and mediate between the constraints and challenges of the international arena and the dynamism of their own internal economic, political, and social realities. States succeed or fail across all or some of these dimensions (Rotberg, 2003).”



According to Max Weber, a state is a “corporate group that has compulsory jurisdiction, exercises continuous organization, and claims a monopoly of force over a territory and its population including all action taking place in its jurisdiction (Weber, 1978).” Joseph Migdal, Professor of International Studies in the University of Washington's Henry M. Jackson School of International Studies, expands on Weber’s idea by defining what it is to be a strong state. Migdal defines a strong state as an organization comprised of a network of agencies and coordinated by an executive power that has the authority to enforce its rules for all people in each territory, using force if necessary. He highlights the difference between strong and weak states as the institutional capacity to penetrate society, and regulate social relations. Strong states have institutions that can provide order, provide public goods such as education, infrastructure, health care, an efficient labor market, and social services (Schoeman, 2008).

Strong states control their territories without contest from armed actors and deliver a full range and a high quality of political goods to their citizens. They perform well according to indicators like GDP per capita, the UNDP Human Development Index, Transparency International’s Corruption Perception Index, and Freedom House’s Freedom of the World Report. Strong states offer high levels of security from political and criminal violence, ensure political freedom and civil liberties, and create environments conducive to the growth of economic opportunity (Rotberg, 2003).

Rotberg judges the strength of states (strong, weak, or failed) based on a hierarchy of political goods. The hierarchy of political goods consists foremost of human security, followed by others such as medical and health care, schools and educational instruction, infrastructure such as roads, railways, harbors, a banking system in which there is a central bank with a national currency, a fiscal institutional framework in which citizens can pursue entrepreneurial

goals, a space for civil society etc. These criteria determine what states are defined as strong, weak (failing), or failed (Rotberg, 2003).

## Failed State

According to Rotberg, the role of the state is to provide services. States fail when they stop delivering on political goods and, as a result, lose credibility and legitimacy in the eyes of its citizens. (Rotberg, 2003). A failed state is defined as a state that has lost control of its society due to a weakening of the state economy and political structure. Obstructions to the state's ability to provide, law and order, and other public services due to armed non-state actors occupying territory would normally be governed by the state (Schoeman, 2008).

The Fund for Peace, an INGO that studies international peace building endeavors, defines a failed state as one that has lost what political theorist Max Weber coined "the monopoly on the legitimate use of force", has a diminishing capacity of exercising legitimate authority to make collective decisions, is unable to provide public services, and is unable to interact with other states as a member of the international community (Schoeman, 2008).

A state without power can become a base for international terrorism as is the case for states oft referred to as failed like Afghanistan and Somalia. According to Rotberg, state failure occurs due to errors caused by policy makers. Rotberg states that "state failure is largely man made, not accidental. Institutional fragilities and structural flaws contribute to failure, but those deficiencies usually hark back to decisions or actions of men. So, it is that leadership errors across history have destroyed states for personal gain (Rotberg, 2003)."

Failed states are states that have lost legitimacy, or what the imperial Chinese called "the mandate of heaven." In a state that has lost legitimacy border security and state control over the

country dissipates. Independent, non-state actors replace the power of the state and the rule of law. Citizens lose trust in the over-arching state and turn to non-state actors such as tribes, family, warlords, and criminal syndicates for political goods like security and employment (Rotberg, 2003).

Failed states are marked by tension and a high degree of competitive control, or political infighting between rival groups. States like Somalia and Yemen are often regarded as examples of failed states due to their lack of a recognizable government and their loss of the legitimate use of force. They tend to lack a central structure that implements services like security or trash pickup and do not collect taxes. They often have a series of violent actors fighting over control over territory in a state of competitive control where each is claiming to be the legitimate government as is the case in Somalia (Rotberg, 2003).

A failed state is one that has lost control over large swathes of territory. The failed state's power resides in a capital city, if that. Citizens depend on the state for security; if the state lacks a presence in parts of its' territory, then that responsibility falls on rival actors. If the state is not able to carry out the function in which it was designed for then it is failed (Rotberg, 2003).

When a state fails, it creates a political vacuum in which security is provided by one of many competing strong men. In this event, state actors fill the void and establish their own security apparatuses, foreign relations and market exchange systems. These sub states are illegitimate and unrecognized by the legitimate governments around the world. While these sub-states may provide some political goods, they lack a strong, coherent system of law and criminal enterprises such as drug and gun trafficking proliferate unhindered. Prime examples of this

model consist of Somalia, and Bosnia, Lebanon, and Afghanistan during the 1990s (Rotberg, 2003).

### Failing States

The second designator that Rotberg mentions is failing states. Failing or “weak” states are states that are starting to meet one or more of the criteria for that of a failed state. They can be weak states for a multitude of different reasons; they can be temporarily weak (failing) because of greed, external aggression, despotism, or internal problems not caused by the state such as a natural disaster. Natural disasters can overwhelm fragile state institutions leading to a spiraling effect, reducing the strength of the security apparatus and economy. Many states are weak and failing due to policy choices made by ineffective or unscrupulous rulers. A state is considered particularly failing if it is not meeting the security requirement (Rotberg, 2003).

There are three signs of impending failure, economic, political and deaths in combat. Signs of impending economic collapse can consist of rapid reduction in incomes and living standards, drying up of foreign and domestic investments, mass unemployment. As the economy fails benefits of the state like health and education evaporate and food and other shortages may occur. One of the symptoms of economic failure is a higher amount of smuggling (Rotberg, 2003).

Some major indicators of economic failure are declining GDP, soaring inflation, food shortages and widespread hunger. States with vast natural resources (like oil) that have negative GDP are examples of failing states. Inflation takes place when rulers print more money to stave off economic insecurity. In the long term, printing more money leads to inflation which causes

economic insecurity. When this occurs, people use foreign currencies, like the dollar, and turn towards smuggling goods from different countries (Rotberg, 2003).

Corruption flourishes in failing states. State officials often require bribes for providing public goods. They sell public goods such as tourism concessions, textbooks, medical supplies, and even infrastructure like roads and bridges (Rotberg, 2003).

Another indicator of state failure is urban crime. In failing states, urban crime tends to be particularly high and increasing. The weakness of the state prevents it from implementing the rule of law and police forces are paralyzed. As a result, criminal gangs control the streets of major cities and the proliferation of drugs and guns become more rampant. Violent non-state entities like warlords, and criminal syndicates become the chief supplier of political goods when the state fails (Rotberg, 2003).

Rotberg cites Somalia, Congo, Liberia, Sierra Leone and Bosnia as examples of state failure and collapse. He bases state failure in these cases on the idea that the central government in each of these states has ceased to function, unable to provide for the well-being of its population or protect it from internal and external threats. He states that:

“States weaken and fail when they are unable to provide basic functions for their citizens the economy weakens. Education and health care are non-existent. Physical infrastructure breaks down. Crime and violence escalate out of control. These conditions generate opposition groups which often turn to armed uprising. Often, ‘the weapons of choice are small arms, light weapons and explosives because they are cheap, plentiful, durable, easily transported and simple to use. These conflicts create huge population shifts and refugee crises, long-term food shortages,

failing economies, and the death of large numbers of civilians from disease, starvation and direct conflict (Rotberg, 2003).”

### Criticizing Terms “Failed” and “Failing” States

Critics like William Easterly, a Professor of Economics at New York University, criticize “state failure” for its lack of coherent definition and empirical means of measurement. He claims that factors that proponents of the state failure designator such as civil war, infant mortality, inability to provide basic services, weak state policies and institutions, inability to provide security are all factors that are clear by themselves and can have respective weights and measurements but added together they lack a coherent definition. The over aggregation of these figures creates a challenge for policy makers to address state failure when so many different factors describe it. He claims that the term came to prominence for political reasons. The concept of a failed state provided western governments justification for intervening and expanding their influence in developing countries (Easterly, 2010).

Charles T. Call, an associate professor of International Peace and Conflict Resolution at American University, alleges that terms like failed, failing, and fragile states are harmful. The poorly defined use of the term groups together a diverse set of challenges posed to states such as Colombia, North Korea, Haiti, and Iraq. These countries all represent distinct cultural differences and are plagued by their own special, respective challenges. Grouping together these challenges under single umbrellas, according to Call, leads to poor policy choices by foundations and think tanks. Call also claims that the terms are ethnocentric and patronizing to developing countries because they criticize states for failing to live up to a western, Weberian, ideal of how a state should be comported (Call, 2008).

Call criticizes Rotberg's failing state designator that is based on criteria including existence of civil wars, conflict between communities, loss of control of peripheral regions, increase in crime and gangs, trafficking of guns and drugs, corruption, loss of legitimacy, soaring smuggling, and loss of GDP. It is presumed that a state is failing if it is experiencing these conditions but it is not clear if it only demonstrates fewer than all those conditions. Call opposes the failing state designator based on this criterion because each one of these problems represents different social realities that require specific policy responses of their own (Call, 2008).

Rotberg determines that in 2003 Colombia, Cote d'Ivoire, Iraq, North Korea, and Indonesia were failing states. Call criticizes this assertion and highlights that "failing states" differ in degree of failure and state capacity; Colombia is a strong state with areas out of control, East Timor has a high degree of legitimacy but low capacity, and Liberia is a kleptocracy with little legitimacy. Grouping all these countries together is inappropriate because they require different policy responses. Security reform makes sense in countries like Iraq that lack a responsive security apparatus but would make little sense in a state like North Korea that experiences an oppressive degree of security (Rotberg, 2003)

Call alleges that it is this one size fits all type of thinking that has led western states to apply policies like a "blunt instrument" to states with disparate needs. He uses neoliberal structural adjustment policies (SAP) pushed by western institutions like the World Bank and International Monetary Fund in the 1990s in places like Central America, Cambodia, and Venezuela as an example of blunt instruments used by the west. SAPs, seen as a means of correcting endemic problems in developing countries such as state corruption and inequality, resulted in creating more problems in developing countries. SAPs produced weaker governments and more inequality. In response to countries plagued with social order, western policy makers

emphasize building stronger states with powerful security apparatuses. Western states call for more order in states with high degrees of crime but do not address the oppressive nature of the government in place in some failing states (Call, 2008). Strengthening the state when the state is oppressive is counterproductive to producing order.

Call highlights that calls for law and order as a remedy for rising crime focuses prominently on the military, police, justice system. Western policy makers deem these as the solution for all failing or failed states afflicted with security concerns. This solution does not seem to correlate with other concerns of failing and failed states such as a declining GDP, corruption, inequality, or human rights violations. The state, depending on the country in question, may be responsible for these problems. Call claims it is not clear if stronger state institutions are the answer to these problems (Call, 2008). A state presided over by corrupt rulers may experience greater inequality and human rights violations from a strengthening of their police and military powers.

Call claims that the demand for strengthening the state as an answer to failing states ignores the inherent dangers of strengthening any given state's security apparatuses. Strong police, military, and judiciaries can serve as instruments of repression, ethnic discrimination, and corruption. He asserts that problem ridden states should have their set of problems better contextualized and the central focus should be on how to create state legitimacy over order (Call, 2008).

Call criticizes the scholarly notion of what a state is. He claims that categorization is defined by values, in the case of states, liberal values. The notion of failed or failing states assumes there is some ultimate "good" end goal that states must progress to. The success of



states is measured by the features of dominant western states. He asserts that this idea is not only patronizing and ethnocentric, but it ignores the inherent flaws in western states. He proposes the idea that perhaps “failing states” could be benefitting from a weak state and an organization of strong sub-state actors (Call, 2008). A people governed by the customs of their own clan and kinsmen may be happier and more productive living under the auspices of their own culture rather than their more powerful neighbors.

Call asserts that Rotberg’s assertion that ‘A failed state is a polity that is no longer able or willing to perform the fundamental tasks of a nation-state in the modern world’ symbolizes the wider failure of the scholarly use of terms failing and failed state. Rotberg’s definition of what comprises a proper state ignores the fact that many states have never been structured as European style states in the first place. He points out that many countries exist outside of the traditional state framework; they function with alternative means of authority and received political goods like security and other services from other traditional modes of authority like tribes and familial clan structures. The seminal question for Call is not whether the state is failing but if it was ever the source of authority and legitimacy to begin with (Call, 2008).

The main criticism of the terms failed and failing states is the lack of metrics and a uniform definition. In response to criticism of the term failing state, the Fund for Peace changed their verbiage to “fragile state (Messner, 2014).” The question of whether to use the term “fragile” or “failing” is a matter of semantics because both indicate a certain standard that the state is not achieving. As a means of formulating a coherent argument, I find the term “failing” adequate. The term failing suggests that the state is not achieving its’ purpose of delivering essential political goods like security and economic opportunity. A term, no matter the preference, is necessary to define when a state is not addressing the needs of its citizens.

Rotberg never goes as far to suggest that any one indicator of a failing state indicates that it is a categorically failed state. He suggests a judicious assessment of all the indicators, combined, should provide quantifiable and qualitative warnings. The identifiers are meant as a warning sign of a possible downward trajectory to a failed state. Krista Hendry, executive director of the Fund for Peace, states that failing state is meant to be a “barometer of the continued pressure of the state.” It is meant as a means of measuring pressure on a state (Hendry, 2016). They may not be a perfect means of quantifying definitive state failure but serve as a warning sign that action needs to be taken to stave off possible state collapse (Rotberg, 2003). Terms like “failing” and “failed” state, while perhaps not entirely adequate, are necessary to identify states that are struggling with establishing stability. They are crucial as a diagnostic of how states are not providing crucial political goods (Hendry, 2016).

Venezuela is a state failing on both the security and economic fronts. It is a state deserving of the failing state designator because it is the government that has exacerbated its security and economic conditions through both poor policy decisions and neglect. According to scholars like Moisés Naím, a Venezuelan distinguished fellow at the Carnegie Endowment for International Peace, “Failed state is a nebulous concept often used too lightly. That’s not the case with today’s Venezuela. The evidence of state failure is very concrete in the country that sits on top of the world’s largest oil reserves (Leon, 2016).” Naim defines Venezuela’s failing state status by “widespread and chronic shortages of basic staples and medicines, crumbling public services, one the world’s highest murder rates...(Naim, 2015).” The Venezuelan state under Chavez and Maduro is an extensive institution constructed to provide welfare and subsidies to aid Venezuelas poor. The state has nationalized much of its oil and agricultural sectors,

intervening heavily into its economy ostensibly to make its citizen's lives easier. Despite these efforts it is failing to provide food, health care, or security.

A definitively failed state is an elusive concept but the term "failing state" is not. There may be no uniform definition of a failed state but a state that is failing can be defined. Failing states can be measured by the services it is built to provide but failing to deliver, namely security and providing the conditions for economic growth. Factors such as rising homicides and food shortages are products of failed government policy and clearly measurable. The Venezuelan government's failure to address crime and the economic crisis, participation in crime and corruption, and policies that exacerbate the country's problems therefore constitute state failure.

## **Research Design**

The focal point of my research concerns the purpose of a state and how it fails. The purpose of the state is to provide political goods to its' citizens. The two most important political goods for any state are to provide security and conditions conducive for economic growth. My study measures how the Venezuelan state is failing based on how it performs in providing security and economic growth.

My research design is a mixed qualitative and quantitative approach to the question of state failure. I use a quantitative approach to gather empirical evidence of escalating rates of crime and inflations, and declining figures such as food supply and negative economic growth. I use a qualitative approach to fill in the gaps where the data is inadequate. Due to the ongoing problem of Venezuela's security and economic crisis, and other challenges such as the insular and defensive nature of the Venezuelan government and lack of reporting from victims, there are deficiencies in reliable data in regards to crimes like theft and human trafficking. For these

figures, I rely on testimony from independent crime monitors like El Universal and U.S government agencies such as Overseas Security Advisory Council (OSAC).

My research revolves around figures produced by non-governmental organizations, news outlets, the United Nations, and U.S government agencies that monitor developments in Venezuela. While these data sets may not align with the state narrative on both crime and the economy, there is enough consensus between these groups, especially for the most troubling problems such as homicide and food shortages, to indicate that the country is experiencing higher than usual levels of crime and economic challenges. The purpose of my research is to highlight these exceptionally high rates of crime and economic problems and to demonstrate how they correlate with one another. The purpose of constructing this research is to display how the state is failing in regards to providing security and conditions conducive to economic growth.

My research focuses on the question of state failure in Venezuela as determined by the failing status of its economy and security status. I measure economic failure based on oil prices, inflation, foreign reserves, food and medical supplies, government spending, and GDP. In regards to failure to provide security I focus on the rate of crimes such as homicide, drug trade, kidnapping, human trafficking, smuggling, money laundering, theft, and the proliferation of firearms.

My investigation of economic crisis is as follows:

Economics:

Oil Prices: Measure of oil price changes from 2001 to 2015.

Inflation: Measure of change in consumer prices from the fall of oil prices in 2009 to 2015.

Foreign reserves: Measure from 2008 to 2015.

Food shortage: Measure food scarcity rate from 2006-2015.

Government Spending: Measure of government spending from 2013 to 2015.

GDP Growth: Measure GDP growth from 2008-2015.

In this investigation of economic crisis, I seek to demonstrate the relationship between the fall in oil prices in 2009 and economic crisis in the form of the ensuing food shortage, inflation, and GDP reduction.

The other aspect of my investigation of Venezuela as a failing state is the question of security.

My study focuses on the crime rate:

Crime:

Kidnapping rate: Measure of kidnapping rate from 1989-2011 (most recent I could find)

Human Trafficking

Drug Sales: Market worth of drug trade in Latin America. What part Venezuela plays in the drug trade.

Smuggling: smuggling trade net worth, items that people are smuggling.

Theft

Homicide rate- Homicide statistics are based on data compiled by Venezuelan crime tracking NGOs Venezuelan Violence Observatory (OVV), El Universal, the United Nations, Paz Activa

and the Venezuelan government. How has the homicide rate changed from 2000-2015? Who is committing homicides?

Proliferation of Firearms-What is the percentage of gun deaths in Venezuela? How many guns are estimated to be in Venezuela? How have the numbers of gun related deaths changed over time? In my investigation of the crime rate I seek to demonstrate the rising trend of all major types of crime. Steadily rising crime rates reveal a failure in institutional responses.

## **Chapter 3: Research Findings**

### **Introduction**

In this section I highlight factors such as the price of oil, foreign currency, food scarcity, government spending, and GDP growth as a means of measuring economic failure. The downward trajectory of all these factors reveal how state policies are both causing and failing to rein in the failure of the economy.

### **Oil Price Drop**

The state policy of price ceilings on goods sold in Venezuela ensures that goods are cheaper to import than to produce at home. The falling price of oil, a source of revenue that Venezuela depends on, guarantees they do not have enough money to pay for imported food. The inability to import enough food means that the scarcity of staples is even greater and more expensive. The state has responded by printing more money, even flying in shipments of currency. The result is a great deal of currency that has little value when buying foreign currency to buy food and other staples with (Pettinger, 2015).

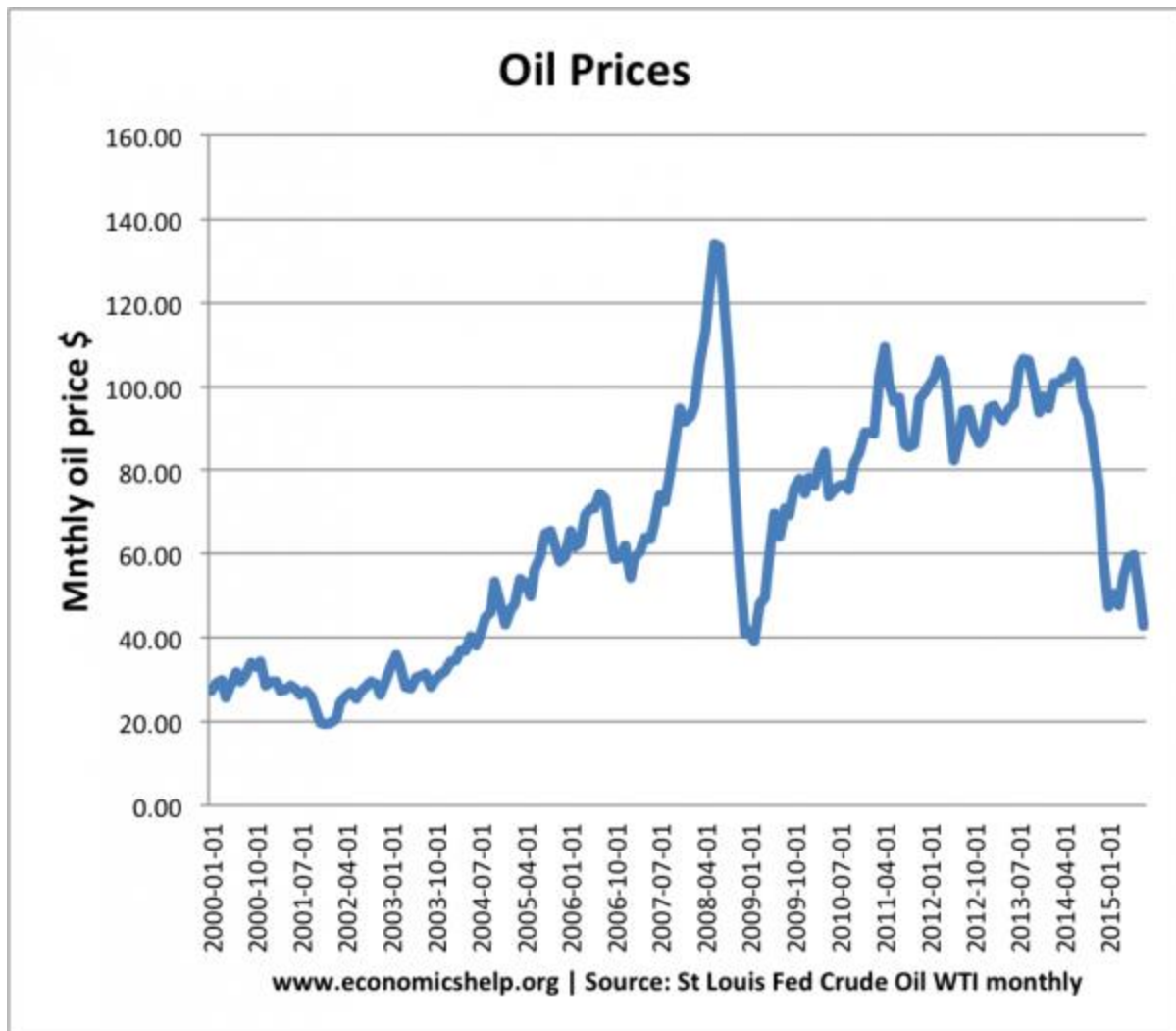


Fig.3. World Oil Prices, 2000-2015. Graph from Tejvan Pettinger, Economicshelp.org.

September 17, 2015.

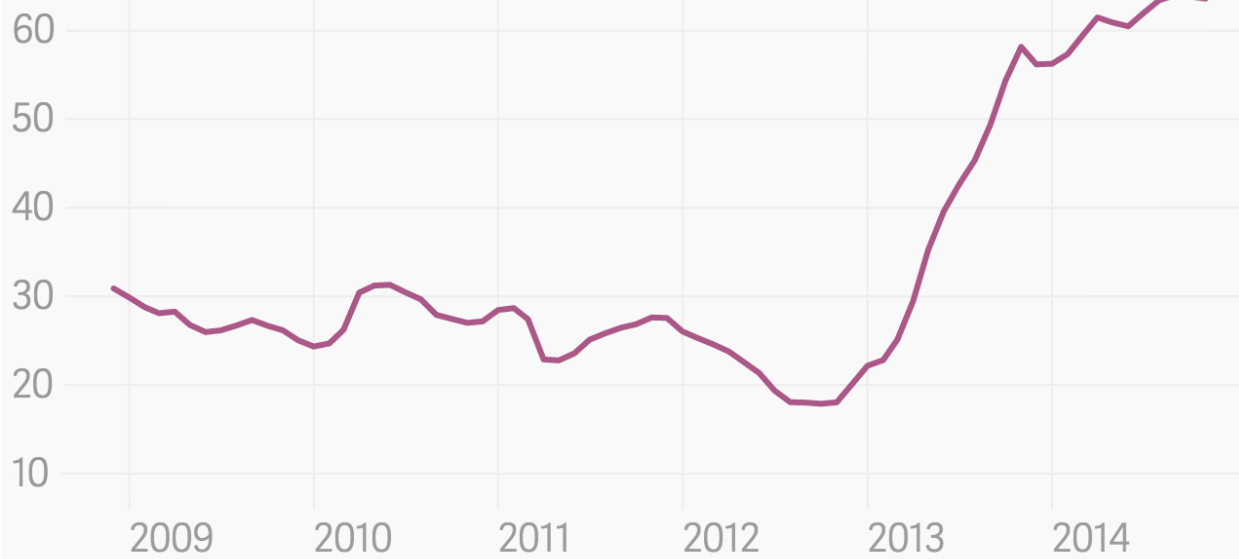
## Inflation

Some of the policies implemented by the Venezuelan government have led to a state of hyperinflation, namely the fall of oil revenue and over-valuation of the state's currency (Pettinger, 2015).



## Venezuela's inflation crisis

70% annual change in consumer prices



Quartz | qz.com

Data: Central Bank of Venezuela

Fig.4. Venezuela Inflation Crisis, 2009-2014. By Jason Karaian. Quartz. March 16, 2015.

Because of tumbling oil prices Venezuela, as of October 2015, was \$15.8 billion in debt. It has only \$15.2 billion in foreign reserves (Gillespie, 2015).

## Venezuela is running out of cash

Venezuela's total foreign reserves, in billions of dollars

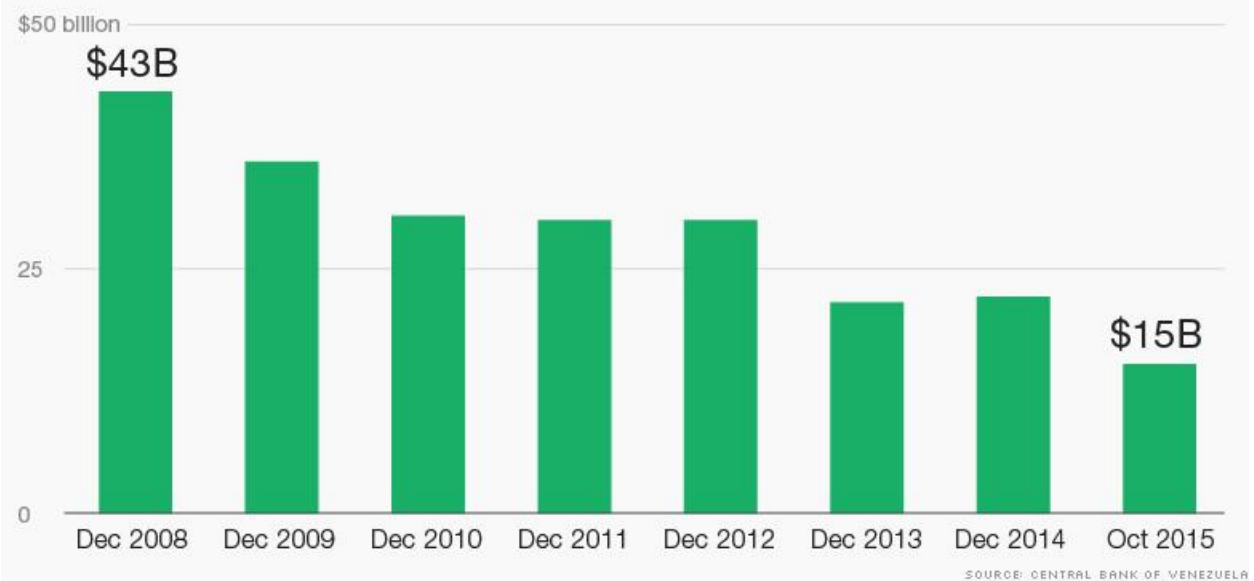


Fig. 5. Venezuela is Running Out of Cash, 2008-2015. Graph from Patrick Gillespie, *Venezuela is Running Out of Cash and Selling its Gold*, (CNN). October 29, 2015.

The result of the government running out of foreign currency reserves, particularly dollars, is it is not able to buy imported food. The government cannot exchange for more foreign currency because the Venezuelan Bolivar has negligible value (Gillespie, 2015).

### Food shortage

Venezuela depends on imports for 70 percent of its domestic food needs. Price controls have ensured under production on the part of major food vendors by preventing them from earning a profit. Those that do sell food do so with the assistance of government subsidies. The problem with the subsidies is they come in the form of U.S dollars. If companies sell those dollars for a profit they have nothing left to buy food with (O'Brien, 2016).

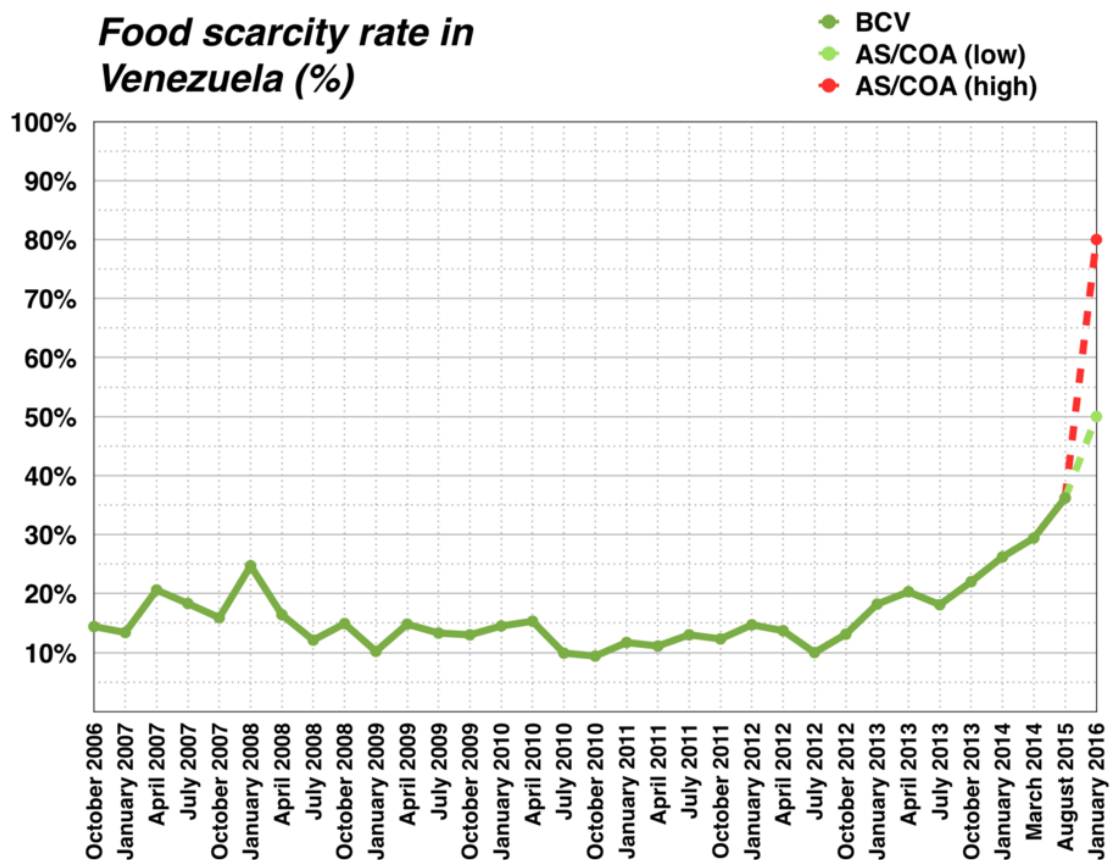


Fig. 6. Food Scarcity Rate in Venezuela, 2006-2016. Graph from El Universal. January, 2016.

As a result, Venezuela has been enduring four years of food shortages. People in Caracas wait on average five hours to shop in on one of the two days they are legally able to shop (O'Brien, 2016).

### Medical Supply Shortage

Another side effect of Venezuela's foreign currency shortage is its inability to buy essential medical supplies. According to the Pharmaceutical Federation of Venezuela, the country is lacking roughly 80 percent of the basic medical supplies needed to treat its population (Charner, 2016). Doctors in Venezuela's largest hospitals report that many gunshot victims die

due to lack of basic medical supplies such as anesthetics, gauze, and other medicines (Butler, 2013).

## Government Spending

The government has attempted to increase expenditures on subsidized grocery stores, health care, and pensions. Due to hyperinflation and low gas prices, the government is finding it unsustainable to maintain high public service expenditures.

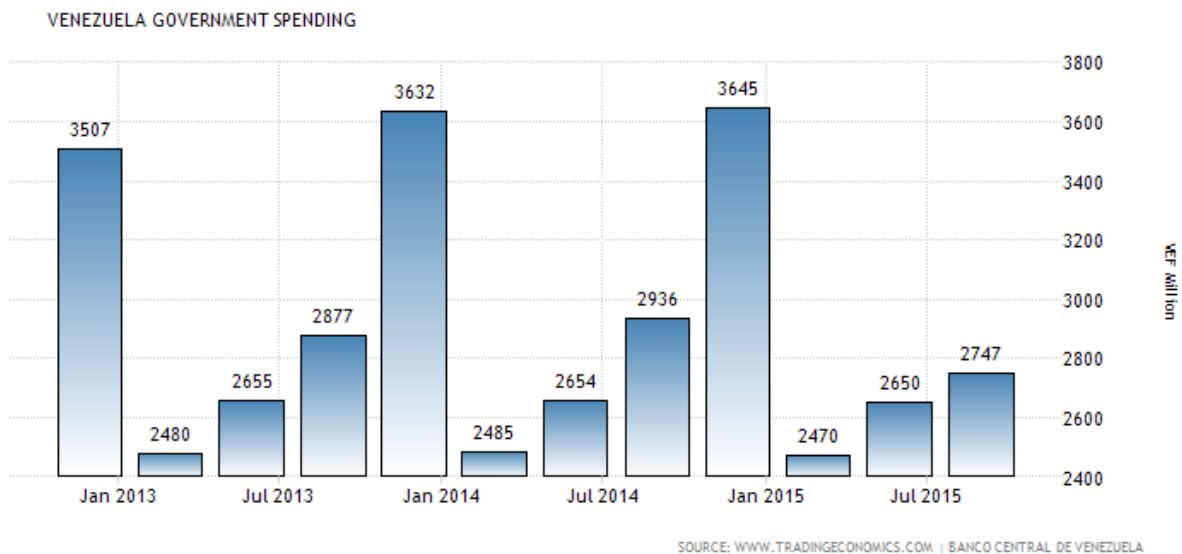


Fig. 7. Venezuela's Government Spending, 2013-2015. Graph from Trading Economics. July, 2015.

State spending is falling precipitously due to the lack of income it is receiving from oil revenue. The graph above demonstrates a dramatic drop in government spending from 2014-2015 which indicates the effect the economic crisis is having on the government.

## GDP Growth

## Venezuela's economic crisis

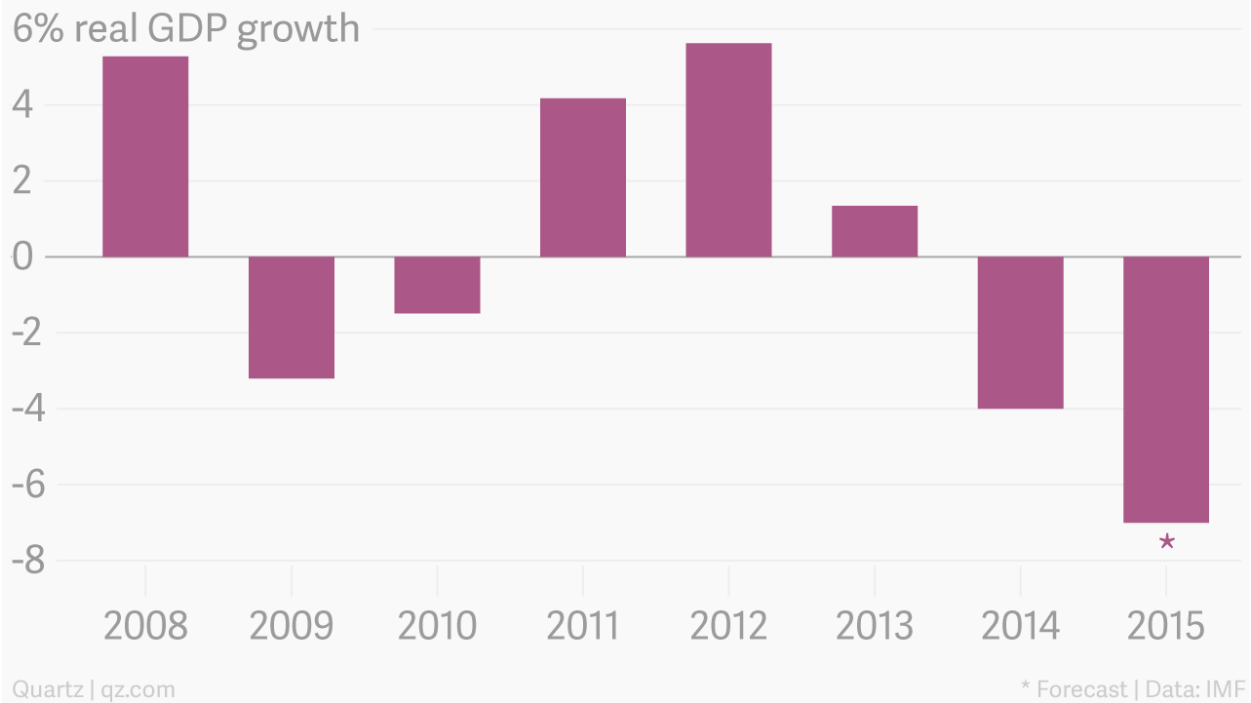


Fig. 8. Venezuela Inflation Crisis, 2009-2014. By Jason Karaian. Quartz. March 16, 2015.

The Venezuelan economy has been shrinking since 2014. Venezuela's economic crisis has led to a food and medicine shortage, and a vast reduction in government expenditures. Due to a shortfall in oil revenue, the state can no longer maintain adequate funding levels for crucial services like police and military, buying imports for food and medicine. Inflation has rendered the Bolivar to be of negligible value which forces people to carry suitcases of currency for errands like shopping (Karaian, 2015).

### Economic Analysis

My data sets demonstrate how the fall in oil prices in 2009 was accompanied by inflation, and the precipitous decline of Venezuela's foreign reserves, food and medical supplies, and reduction of government spending and GDP growth. The government created a system in which

markets and hospitals are reliant on subsidies and assistance in obtaining imported staples and medical supplies. The governments reliance on oil as a chief source of revenue made its centralized welfare structure, grocery stores, and hospitals beholden to the price of oil. Inflation, food and medical supply shortages, diminishing means of government expenditures, and negative GDP growth are evidence of the state's failed economic policies.

### The Black Market

The failing economy is forcing Venezuelans to turn to the black market to compensate for the failure of the formal economy. According to the Venezuelan think-tank Ecoanalitica the number of informal workers is set to rise a third to 40 percent of the workforce in 2016 (Gupta, 2016). Two rising sources of illegal trade, primary sources of revenue for organized crime, are smuggled goods and the sale of hoarded goods. Participation in the black market is not solely relegated to members of organized crime. An increasing number of Venezuelan citizens are participating in the trade to either supplement their income or as a sole vocation (Mogollon, 2015).

### Security

In this section I investigate the rate of crime such as kidnapping, human trafficking, drug sales, smuggling, theft, homicides, and the proliferation of guns. The escalation of these crimes highlights the failure of the state to provide security for its citizens and their property. The failure to provide security, namely human security, is the seminal measure of state failure.

### Kidnapping

The rise in the homicide rate coincides with the rise in both the number of drug shipments and number of kidnappings, both prominent gang controlled enterprises. The number of kidnappings has sharply escalated since Chavez took power in 1999 (The Scotsman, 2011).

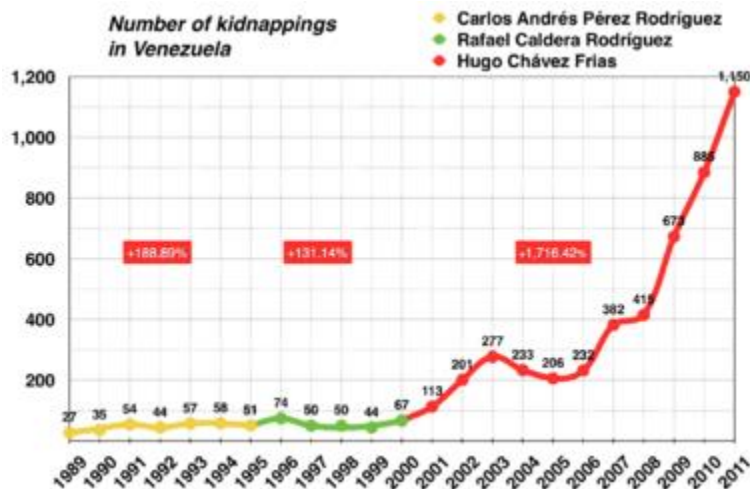


Fig.9. Number of Kidnappings in Venezuela, 1989-2011. Graph from the Organization of American States.

The number of kidnappings has gone from 67 people per year to over 1,150 in 2011. The survey conducted by the National Institute of Statistics found that 16,917 kidnappings occurred between 2008-2009 (The Scotsman, 2011).

The government does not officially track kidnapping cases. Eighty percent of kidnappings go unreported by the victims due to a fear of gang reprisals. The Criminal, Penal, and Scientific Investigation Bureau (CICPC), the department in the Bolivarian Police that specialize in investigating kidnappings, has experience little documented success at reducing the number of kidnappings in Caracas. The CICPC's lack of success in reducing kidnappings is partially due to elements within the organizations participation in kidnapping. In 2015 thirteen CICPC were arrested for their involvement in a kidnapping ring (OSAC, 2015) at perception has

been fed by cases like the January 2015 arrest of 11 judicial police officers who were holding a local merchant for ransom in their police station (Briceño, 2016). The participation in the crimes that CICPC is designed to prevent represents systemic failure on the part of the state.

## Human Trafficking

The U.S State Department reports an extensive human trafficking network in Venezuela. The International Labor Organization estimates that the human trafficking trade generates around \$32 billion dollars. From 2015 to 2016 the human trafficking rate has tripled. After drug dealing, human trafficking is tied with arms dealing as the second largest criminal industry in Venezuela (Kaieteur News, 2016). The victims are predominately poor men, women, and children that are lured from rural areas with promises of work or education and trafficked to the cities for either forced labor, domestic servitude, or sexual exploitation by organized crime. Since the start of the economic crisis, the poor are especially vulnerable to promises for work and education.

The Minister of National Security called for tougher laws and closer surveillance of known trafficking routes. (Kaieteur News, 2016). There are reports from Cuban citizens, typically doctors, working in Venezuela under a bi-lateral program exchanging Cuban medical expertise for Venezuelan oil which report of individuals being forced to work for little or no pay. While the Venezuelan government claims to have ramped up its effort to reign in the trade, there is no documentation eluding to the prosecutions, convictions, or identification of trafficking victims (OSAC, 2013).

## Drugs

The international drug trade's value is estimated at about 1 percent of the world's financial revenue. The cocaine trade, centered in Latin America, turns over an annual profit of



\$85 billion (Business Insider, 2015). Venezuela is one of the largest drug transit hubs in Latin America. This is in large part due to its proximity to drug producing countries such as Colombia and Peru, and its' Caribbean ports that can be used for transport to the North American and European markets. The country's geographical location between drug producing countries, and the North American and European markets make it an ideal transit route for drugs (OSAC, 2015)



Fig.10. Cocaine Transit Routes, 2010, from the UN Department of Drugs and Crime. 2010 Report.

According to the United Nations Organization on Drugs and Crime (UNODC) Venezuela is the main trans-shipment location for cocaine destined for Europe and the United States. This route flows overland from Colombia into Venezuela, departs from Venezuela by air in parts close to the Colombian border to the Dominican Republic, Honduras, and other parts of the Caribbean and Central America (UNODC, 2010).

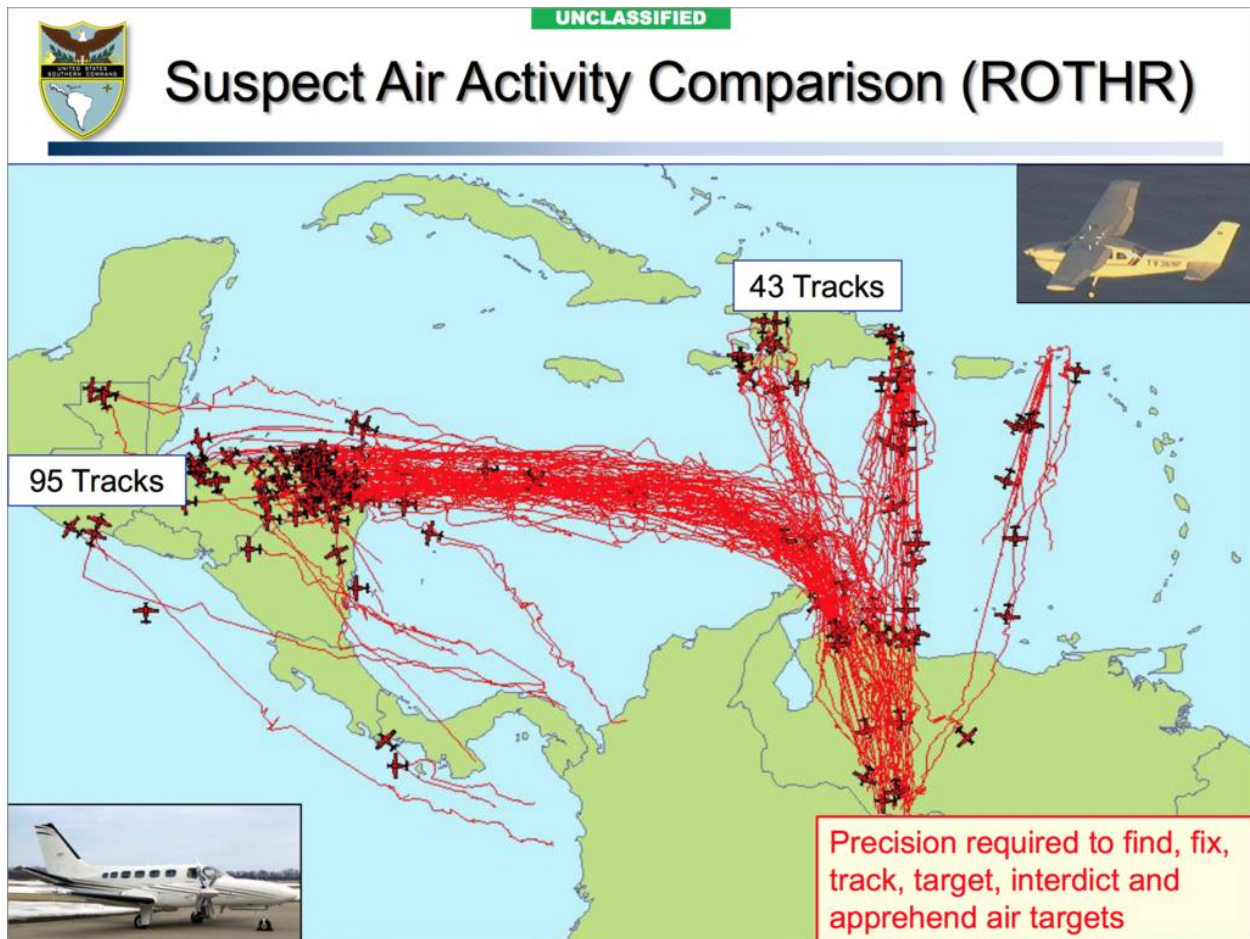


Fig.11. Venezuela cocaine transit routes, 2012. Map by William Neuman. Cocaine's Flow Is Unchecked in Venezuela. New York Times. July 26, 2012.

It is not known the exact amount of cocaine that is produced or is transported across Venezuela because the government does not report on the numbers. It does report on the governments alleged successes in combatting the trade. From 2003-2008 the Venezuelan government published a fluctuating amount of cocaine seizures (U.S Department of State, 2015).

While Venezuela's government claims that it is arresting traffickers, and seizing high volumes of cocaine they do not share evidence required to verify the destruction of the drugs to international observers. Despite the government's professed successes in combatting narco-

trafficking the trade continues to grow with Venezuela as a prominent transit hub (U.S Department of State, 2010). The U.S government claims the volume of cocaine moved from Venezuela to Europe and North America has increased from around 60 tons in 2004 to 300 tons a year in 2014. This equates to half of the cocaine produced in South America moving through Venezuela (Business Insider, 2015).

### The government and drug trade

According to the U.S Department of State, the government of Venezuela does not effectively prosecute drug traffickers due to political corruption, and lack of resources, training, and equipment for its law enforcement officers (U.S Department of State, 2015). The association between the government and the regional drug trade was strengthened by Chavez's support for FARC, a Colombian based socialist insurgent group funded mainly by cocaine. Under Chavez and Maduro, the government has provided the group sanctuary in Venezuela and given them the freedom of movement necessary to traffic cocaine shipments through Venezuela to North America (Diehl, 2015).

### Smuggling

The smuggling trade has seen a precipitous rise in value because of Venezuela's economic crisis. The trade is mainly dominated by organized crime but non-gang affiliated citizens, and government officials are known to take part. Forces like inflation and the food and staple good shortage have influenced citizens to smuggle cheap, abundant oil from Venezuela to Colombia to be sold for a vast profit. They in turn buy food and other staples in Colombia with the oil proceeds to be brought back to Venezuela. According to the Venezuelan government, the smuggling trade is worth \$2 billion a year (Gupta, 2016).

“filling a car costs just a few U.S. cents. A 40,000-liter tank truck can be filled for \$10 at the black-market rate and sold in Colombia for around \$20,000 - a profit of nearly 200,000 percent (Gupta, 2016).”

Smugglers can cross border towns by paying the National Guard a few thousand bolivars (Gupta, 2016). Since the food shortage, gangs bring in staples like flour, oil, and cornmeal from Colombia. Locals located in border towns report at least 150 trucks a day passing through the border, many with a National Guard escort. The National Guard stops individuals but allows trucks, driven by organized criminals able to pay larger bribes, filled with contraband pass unmolested (Navarro, 2016).

## Theft

There are no exact figures depicting rates of theft and burglary because most go unreported. The Venezuelan government also does not publish aggregate theft and burglary statistics on thefts that are reported. Independent organizations like El Universal monitor crimes like theft and report an increase in people being mugged and robbed since oil prices fell in 2009. Scarcity of food and other staples has driven an increase in stories regarding people being robbed of their groceries coming out of supermarkets in Caracas as well as a marked increase in the number of carjacking's (El Universal, 2014).

According to the Ministry of Interior, Justice and Peace, 105 cars were stolen per day nationwide in 2014. Caracas accounts for 40-45 percent of the total number of complaints that occurred nationwide. Additionally, the highest rate of carjacking and thefts of cars is in Caracas, with 46-50 cases per day on average (OSAC, 2015). Armed criminals routinely rob pedestrians or individuals using ATMs in Caracas. Targeting of victims with perceived wealth followed by

home invasions by bands of armed criminals has become commonplace in middle class neighborhoods in Caracas (OSAC, 2015).

### Homicides in Caracas

The homicide rate in Caracas has been rising exponentially from 1999 to 2016. Organizations that track crime in Venezuela are independent non-governmental groups such as Venezuelan Violence Observatory (OVV), El Universal, the United Nations, Paz Activa and the Venezuelan government. Caracas news outlets that track crime such as El Universal, Insight Crime, and Paz Activa claim that the government obscures the numbers of homicides in Caracas as a means of deflecting blame for the rise in crime. The government accuses independent agencies of having a pro-opposition or American agenda to discredit the government (Daugherty, 2015). Independent organizations like OVV and El Universal follow tips from citizens and track bodies from the place they were murdered to Caracas' only morgue to get an accurate body count (Vice News, 2012).

According to Insight Crime, an NGO that monitors crime in Caracas, Venezuela's homicide rate reached a historic 90 per 100,000 inhabitants in 2015 (Daugherty, 2015). The organizations' numbers for Caracas report 120 per 100,000, making the city the homicide capital of the world (Yagoub, 2016). UNDP places the homicide rate at 53.7 people per 100,000 (UNDP, 2015). Venezuela is the only country in South America that has had a steadily rising homicide rate since 1995 (UNODC, 2013).

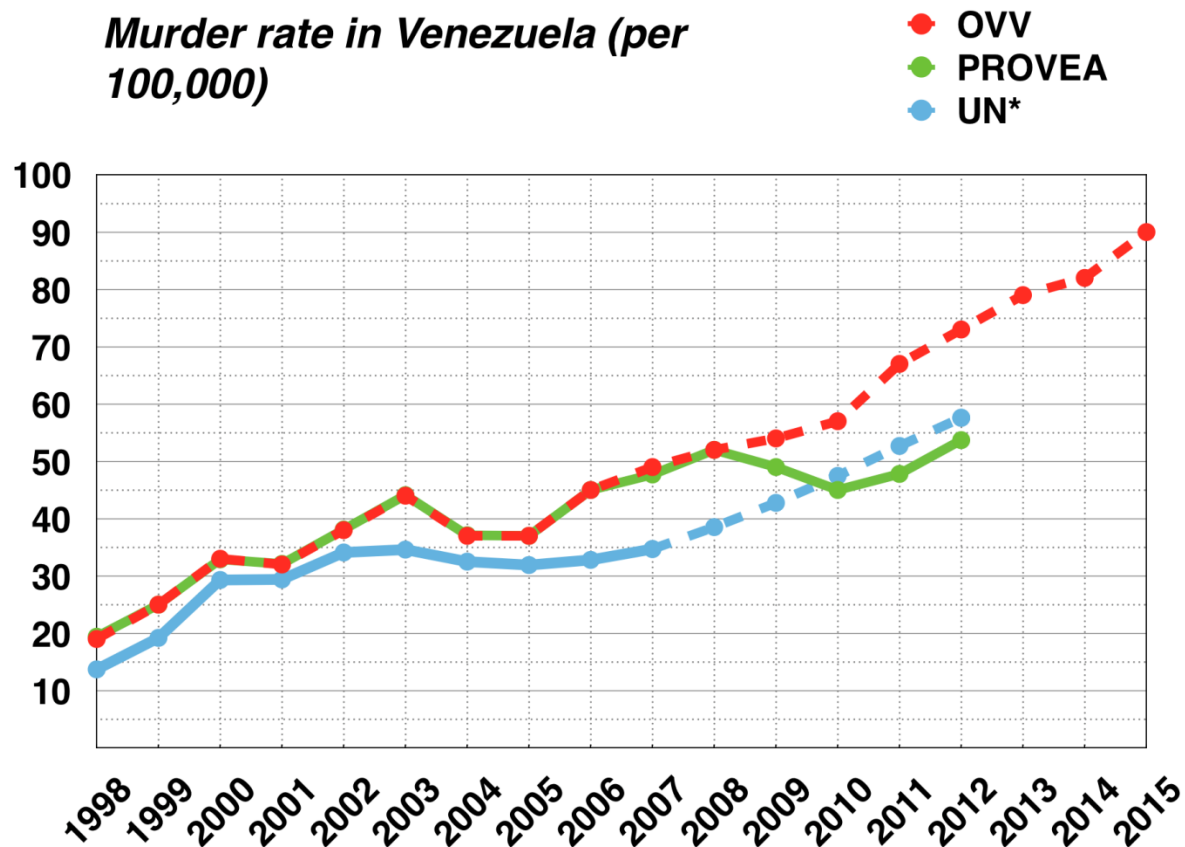


Fig.12. Murder Rate in Venezuela (per 100,000), from 1998-2015, by Venezuela Europa, *Even as Venezuela is falling to pieces: what can we do to improve its chances?*

#### Discrepancies in the data

There are discrepancies in the homicide the number of homicides in Caracas but all organizational data indicate a sharp and steady increase of homicides following 1999.

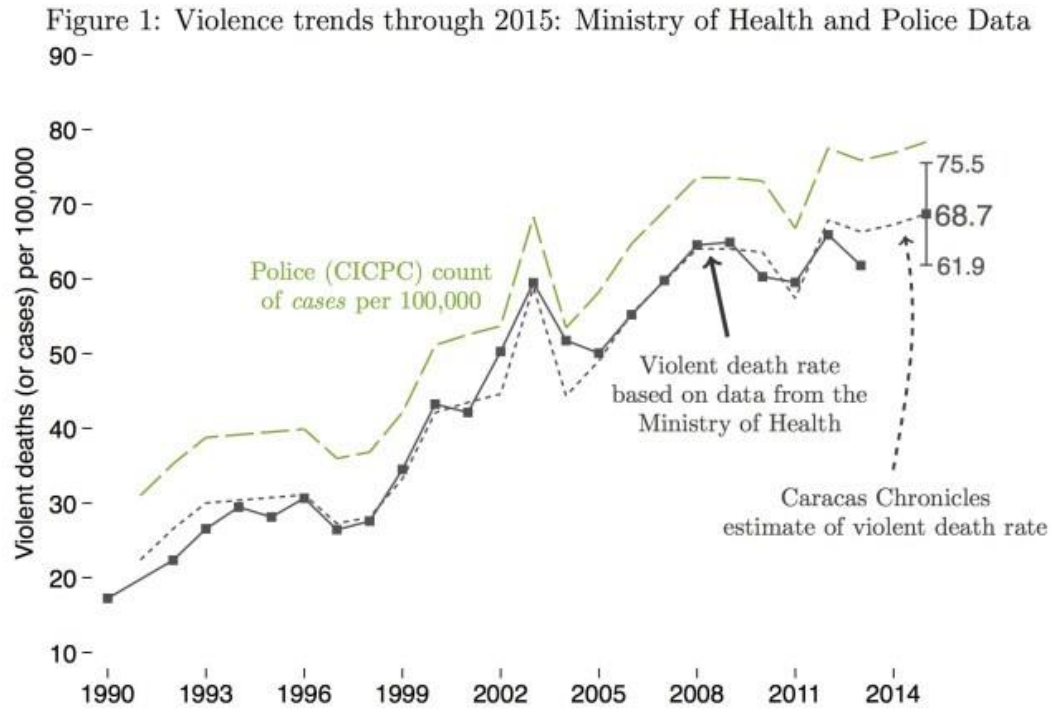


Fig. 13. Violence Trends Through 2015, 1990-2014. Graph from Caracas Chronicles. *How to Count Our Dead*. July 1, 2016. <http://www.caracaschronicles.com/2016/07/01/our-dead/>

Most of the victims are aged between 17 and 35 years old, the typical ages of gang members (Rodriguez, 2016). The number of male youth victims supports the assertion that more young males are getting involved with street gang violence.

#### Difficulty in getting accurate data

There are several obstacles to obtaining credible data for the exact number of homicides, namely because of the Venezuelan government's inaccurate, or omission of data and the bureaucratic inefficiencies behind producing legal death certificates. The Venezuelan government stopped releasing official crime statistics in 2005 (Riesenfeld, 2015). The accuracy of the data is also unknown. Critics claim that the official homicide numbers are distorted by the

government as a means of preventing the public from knowing how dangerous conditions have become (The Economist, 2014).

One major obstruction to obtaining official homicide figures is the difficulty in processing birth certificates. The process of producing a death certificate is a process that can take years. In Venezuela, the process requires that the death certificate documents pass between authorizing health care workers and doctors which can take up to two years (Kronick, 2016). Compounded on the pace of death certificates production is the state of Caracas' over crowded morgues (Grillo, 2016). The government is stunted with a backlog due to the high number of homicides which has overextended its' ability to process all the death certificates. To better understand the conditions that created Caracas's homicide rate, I will discuss the pertinent details behind Venezuela's political and economic history. Evidence of Venezuela's failing state can be observed in the rising homicide rate in its capital city Caracas.

## Youth

Young men in Venezuela are both the greatest perpetrators and victims of violence (Ellner 2008). According to the U.N. children's agency UNICEF, Venezuela is the world's third worst country for murders of young people (UNICEF, 2015). The NGO Cecodap says the number of crimes committed by minors under the age of 18 rose about 70 percent in 2014 and that a child or adolescent was murdered every 10 hours on average, most of them victims of firearms. There are an estimated 30 percent of Venezuelan minors involved in crime, with children as young as eight and nine used to traffic drugs and carry out assassinations. This is in part driven by Venezuela's 90 percent impunity rate and that they can earn up to fifteen times



the minimum wage or more on one assassination. The lack of risk of getting caught and the payout is enticing for Venezuelan youth, especially during an economic crisis (China, 2015).

### Assassinations of pro-government officials

While most homicides are tied to gang activity there are some with a political motivation. Local and rightwing paramilitaries that come from Colombia are believed to be funded by drug money and serve the opposition to the Bolivarian government (Grillo, 2016). These claims are supported by a series of high profile assassinations of pro-government officials, namely Robert Serra, Major Otaiza, Ricardo Duran, and Venezuelan Army Major General Felix Velasquez. All three are unsolved murders of prominent Chavista's that were found dead in Caracas (TeleSUR, 2016).

### Police Response

The police response in Venezuela is not only failing to rein in crime, but also fueling it. According to Andrés Antillano, it is not lack of police presence in gang-controlled territory that is the problem but the type of presence they have. Antillano claims that the police do not maintain a constant, responsive presence to crime in gang controlled neighborhoods. The police response in recent years has been spasmodic and harsh. The police engage in periodic major police offensives like Operation Liberation and Protection of the People (OLP), to make a show of force or an appearance that the state is responding to the high crime rate. These irregular interventions consist of the police showing up in force, killing those who fight back and hauling off the offenders they can catch (Antillano, 2015).

The police in gang controlled territory lack what Antillano refers to as a “legitimate presence” or “institutional control. “They do not maintain a presence in which they regulate

criminal activity or provide resolution to conflicts. Due to this institutional absence, gangs and other armed groups can fill the vacuum. The police attempt to establish control using violence (Antillano, 2015).

### Homicidal Police

The police are responsible for a substantial portion of homicides in Venezuela where extra judicial executions are common. Human Rights Group estimates there have been an average of 900 extra-judicial killings by police a year (Carroll, 2009). According to Human Rights Watch “law enforcement agents allegedly killed 7,998 people between January 2000 and the first third of 2009 (HRW, 2012).” The Violence Observatory estimates that the Bolivarian National Police killed 3,800 people in 2015, making it one of the most homicidal police forces in the world. The police documented nearly 3,500 people killed in the line of duty in 2010 due to “resisting authority (Grillo, 2016).”

### Police Homicide Victims

Due to the rising power of gangs in Venezuela, police in Venezuela are making up an increasing percentage of homicide victims. In 2015 an estimated 337 police, military, and private security personnel were killed. These killings are in part retaliatory killings in response to violent offenses carried out by police in gang-controlled territory (Antillano, 2015). There are also incidences in which police are being targeted for their weapons and equipment. In 2014, 132 security officers (officers and soldiers) in Caracas were murdered by assailants for their firearms, vehicles, and valuables (OSAC, 2015). In 2014, Fundepro, a Venezuelan NGO, reports that most of the security personnel murdered on the job were ambushed by criminals attempting to steal their weapons (Daugherty, 2016).

High rates of lethal force used by police, high impunity rate, and murders of police are evidence of state security failures. The police and gangs are caught up in a street war in which both retaliate for killings of the other. Police are killing criminal suspects rather than detaining them due to the overcrowded prisons and lack of convictions on the part of the judicial system. The fact that police are unable to police certain neighborhoods and are being ambushed by criminals in some cases is evidence of the loss of the monopoly on the legitimate use of force. The loss of a monopoly on the legitimate use of force is a chief example of Venezuela's failing state.

#### Impunity rate

According to the Observation of Venezuelan Violence, an NGO that tracks crime, the impunity rate for murders in 2014 was 91 percent (OVV, 2014). The Overseas Security Advisory Council (OSAC) cites that among the reported problems with Venezuela's police are corruption, an overstretched judicial system, and inadequate training and lack of weapons. The police respond to emergency calls but their response time is regarded as slow to crime scenes and their follow up investigations are rare outside of cases involving victims with wealth and influence (OSAC, 2015). The lack of arrests and prosecution of criminals erodes the legitimacy of the state and fails to create a disincentive to criminals to commit more crimes.

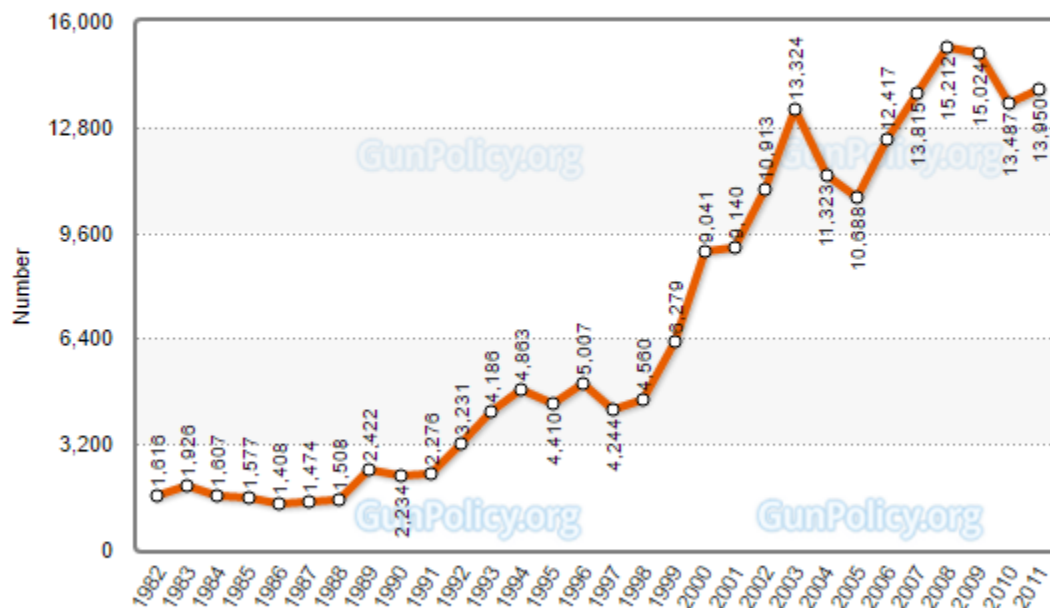
#### Guns

The number of homicides in Caracas are correlated with the number of available firearms in Caracas. The University of Sydney estimates that some 90 percent of homicides in Caracas were caused by guns (Gun Policy.org, 2012). The firearm trade is tied with human trafficking as the second most lucrative illegal trade after drugs. The exact number of firearms in proliferation

are not known. According to the U.S State Department, Venezuela is the most weaponized country in the world: “In a country of 29 million people, there is roughly one gun for every two people (OSAC, 2015).” Gun Policy.org, an NGO that monitors the international arms trade, estimates the rate of private gun ownership in Venezuela is 5 firearms per 100 people. There are an estimated 1,100,00 to 2,700,000 illegal firearms in Venezuela or about 4.35 to 10.6 illicit firearms per 100 people (Gun Policy.org, 2012). The number of firearms has escalated precipitously since 1998 along with the number of homicides.

## Venezuela

### Total Number of Gun Deaths



Totals and rates are not always drawn from a single publication. To view the source data or to match figures exactly, follow the hover links on each data point

Fig. 14. Venezuela: Total Deaths and Total Gun Deaths 1980-2011, by Alpers, Philip, Amélie Rossetti and Leonardo Goi. 2016.

As the number of deaths have dramatically increased from 1999 to 2011 so have the percentage of deaths by firearms. The percentage of homicides committed with firearms has increased to 90 percent (Gun Policy, 2012). Firearms are directly involved with the number of homicides in Venezuela and a prime contributing factor to state security failure.

## Ammunition

Ammunition for the plethora of weapons in Caracas are cheap and plentiful in part due to the close ties between the military and the black market. In 2013 Maduro signed the Disarmament Law that included the ban on private sale of guns, ammunition and required the military owned munitions plant to code military and police ammunition for tracking purposes. By 2015 the law had effectively shut down legal weapons and ammunition stores but according to the police commissioner for the Chacao borough of Caracas, had no effect on the coding of ammunition. According to Venezuelan Violence Observatory ammunition manufactured by military owned companies such as Cavim are involved in 70 percent of all firearm murders in the country (Kurmanaev, 2015).

The poor state of the economy and corrupt businessmen and police are contributing to the proliferation of cheap ammunition in the streets of Caracas. According to Chacaos police commissioner Carval, Cavim, a Caracas based company, offers a 97 percent discount to the black market and to law enforcement agencies (Kurmanaev, 2015).

## Efforts to Reduce Illegal Weapons

Venezuela's arms trade is another example of how the state is failing. The unregulated arms trade is the primary contributor to homicides. The number of firearms in Venezuela is directly connected to the homicide epidemic. The sale of military and police weapons to black

market dealers is a primary example of systemic corruption. The sale of police and military guns to organized criminals also exemplifies how the state is contributing to the very elements that are challenging its' authority.

## Conclusion

The role of a state is to provide political goods, namely security, and to create an environment conducive to economic growth. The state is failing based on measurements of the country's security and economic crisis. The data I compiled finds that major crimes such as kidnapping, proliferation of guns and drugs, theft, and homicide as well as inflation, food and medical supply shortages have all risen precipitously under the administrations of Presidents Chavez and Maduro. The rise in crime and economic crisis are two forces that feed into one another. My work demonstrates how ineffective state economic and security policies have created problems that feed into each other.

The state's centralized policies are responsible for the economic crisis. Policies enacted by the state such as overreliance on oil as a primary source of revenue, overreliance on imports, market subsidizations, and price controls have led to indicators of state failure such as inflation, falling foreign currency reserves, the food and medical supply shortage, falling government spending, and negative GDP growth.

State policies such as currency and price controls, and market subsidies have led to economic crisis. The evidence of this crisis is based on the food and medical supply shortages, inflation, dwindling foreign currency, foreign debt, and negative GDP growth. As a result of the drop in oil prices and the government has little money to give to state owned supermarkets. Since the supermarkets have little money, they are not able to spend much on the imports the country depends on. Price controls make prices for goods artificially low and prevent agribusiness from making a profit which is a disincentive for production. The lack of foreign currency also prevents the government from giving out too many dollars to be spent on imports.

The state central policies have made the economy less productive and more prone to economic upheaval. The expanded welfare state served to alleviate poverty while the price of oil was high. But now that it is low, the state has nothing to sustain that spending with. Currently all the institutions and people that depended on the system to provide cheap imports are suffering the effects of scarcity. It is because of the state's failing economic policies that people are turning from the formal economy to the informal economy to meet their needs.

The economic crisis has led to the sharp rise in public participation in the black market, crime, and strength of organized crime. The growing number of people looking to the black market for work and to attain staples they can no longer find in government subsidized grocery stores benefits organized crime elements that control the black market. As a result of failed economic policies, organized crime elements are experiencing a financial windfall. Smuggling and other black market ventures give them extra money to bribe government personnel, adding to corruption, buy more weapons, and invest in other illegal activities. As the state suffers from lack of revenue, organized crime has an increasing amount of money that they can use to expand their control of the streets.

The state is failing at providing security in Venezuela. The state's inability to mitigate the escalation of crime since Chavez ascended to power in 1999 is evidence of state failure. Venezuela has seen a precipitous rise in kidnapping, human trafficking, drug sales, smuggling, theft, gun sales, and has become one of the most homicidal places in the world. These crimes are all rising because of ineffective policies and corruption.

The crime rate has risen largely due to the ineffective policing in Venezuela. The police only arrest small time offenders like drug users to appear to be making arrests. The overcrowding



in the prison system with mostly small time offenders is evidence of this. The police rarely arrest criminals who perpetuate higher level crimes like theft, drug trafficking, and homicide. The actions that police carry out against organized crime tend to be heavy handed and temporary. They favor large invasions of gang controlled neighborhoods, killing suspects, but few actual arrests and successful prosecutions. The lack of arrests, prosecutions, and effective presence in gang controlled neighborhoods is detrimental and exemplary of ineffective police work.

The starkest evidence of Venezuela's failing state is the homicide rate. The major perpetrators of homicide are the increasingly more power powerful gangs. Non-state actors, the police, and military are all guilty of contributing to the state's homicide rate. The black market fuels the strength of gangs while elements of the armed forces, anti-government, and pro-government militias either fight to suppress the trade or for their respective pieces of it.

Venezuela's homicide rate is as high as it is due to its' volume of weapons and ammunition. The level of homicides would not be possible if it were not for the wide availability of military grade arms and ammunition. The weakness of the state and the willingness of police and military personnel to sell weapons to violent non-state actors. Whatever the reason for individual acts of homicide, people can easily obtain weapons easily and to kill with little interference from the state. The proliferation of weapons and the number of deaths are the primary representations of state failure of human security.

The government is being effectively challenged by non-state actors and losing the monopoly of the legitimate use of force. Rising crime rates and lack of prosecutions for major crimes are symptoms of this loss. It has incrementally lost control of its territory to an array of non-state actors such as organized crime syndicates.

The economic and security crises both feed into another. The economic crises provides an array of opportunities for Venezuela's organized crime syndicates. Food, medical, and other staple shortages give the street gangs an additional source of revenue. The lack of employment and resources provided to Venezuela's large population of young men has led to many joining street gangs. The dwindling revenue of the state means it has less revenue to spend on police enforcement.

The lack of law enforcement due to shortfall in state revenue and relaxed enforcement standards has given crime syndicates room to expand their enterprises. This is reflected by the escalation of every major crime from theft, human trafficking, proliferation of weapons and drugs, and homicide. The state is failing at providing human security for its' citizens. The state negatively impacted the country's economic and security conditions with its' ineffective and detrimental policies. As a result, it has caused and failed to mitigate both an economic and security crisis.

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