

The Sociopolitical Destabilization of Venezuela: A system dynamics perspective on the interaction of elite rhetoric, sociopolitical structure, and mass mobilization

R. Evan Ellis

Booz Allen Hamilton, Inc.
125 Wrightwood Place
Sterling, VA 22102
Tel: 703-216-5162
Fax: 703-902-3392
ellis_evan@bah.com

Abstract: This paper uses a system dynamics framework to analyze the rapid and dramatic transformation of Venezuela from an exemplar of prosperity and democratic stability in Latin America to a nation on the brink of socioeconomic and political collapse. In Venezuela, unaddressed grievances of a large marginalized class, in combination with a loss of faith in the traditional political system permitted the election of Hugo Chávez. His rhetoric and actions, leveraging the power of his position, accelerated the political polarization and economic collapse of Venezuela. This dynamic may be characterized in terms of positive feedback effects which overwhelmed traditional restraints embodied in the institutions and political culture of Venezuela. This paper uses system dynamics to explain why the rapid disintegration of Venezuela was possible, suggests a range of possible futures for the troubled country, and derives implications for the region as a whole.

Background

The stability, democratic institutions, and political culture of Venezuela have significantly deteriorated since Hugo Chávez was elected president in December 1998 on a platform that appealed to the country's most marginalized inhabitants. Journalist Carlos Coello recently wrote that the most outstanding legacy of Chávez's five years in power has been a marked retrogression of democracy, with the compromise of virtually all of the country's official institutions.¹ Two recent reports by the Inter-American Commission on Human Rights of the Organization of American States (OAS) criticize the growing concentration of power in the executive branch, government militarization and attacks against the media, the lack of judicial independence, and impunity of civilian militias.² In the past two years, over 600 attacks by organs of the state and pro-Chavez groups have been registered against reporters, businessmen, unions and politicians.³ A country that, just a few short years ago was viewed as a stable and prosperous democracy and an impediment to the spread of Marxist revolution in the region⁴ is today on the brink of economic and political collapse, and is accused of encouraging and supporting leftist revolution throughout the hemisphere.⁵

¹ Carlos Coello, "Cinco años de chavismo." *Tiempos del Mundo*. March 11, 2004.

² "A slow-motion coup in Venezuela." *The Miami Herald.com*. March 31, 2004.

³ Carlos Coello. "Una dictadura con barniz democrático." *Tiempos del Mundo*. 3 June 2004. p. 4.

⁴ See, for example, "Venezuela de nuevo." *Tiempos del Mundo*. 26 March, 2004.

⁵ International affairs specialist Vilma Petrash, for example, emphasizes the role of Chavez in advancing "international subversion" through providing resources to groups such as the Landless ("Sin Tierra") in Brazil, the piqueteros in Argentina, and the radical indigenous leader Evo Morales in Bolivia. Carlos Coello. "El foco de desestabilización regional se desplaza de Colombia a Venezuela." *Tiempos del Mundo*. March 25, 2004. See also Paul Crespo. "El nexa terrorista entre Castro y Chávez." *Tiempos del Mundo*. March 11,

A great deal has been written on the deteriorating situation in Venezuela.⁶ Moreover, a number of explanations can be found for the growing political polarization and the sequence of economic and political crises that have plagued Venezuela during the past five years.⁷ These include the deep economic disparities and endemic corruption that formed the basis for Chávez' divisive but politically successful appeal to the marginalized Venezuelan masses, combined with a loss of faith in the legacy political system by the Venezuelan middle class. Splits between Venezuelan elites over the response to Chávez during the early phase of his presidency also provide part of the explanation, as well as the lack of coordination of and divisions between leaders of the Venezuelan military during the critical but failed coup of April 2002. Venezuela's strategic relationship with the U.S., including its status of one of the top four foreign suppliers of oil to the U.S.⁸ and its ambiguous response to the coup and the December 2002 general strike are also important elements of the story.⁹

This analysis focuses on integrating such analyses of different elements of the growing crisis in Venezuela into an integrated whole, using the analytical framework of system dynamics. The paper aims to cast new light on the dynamics of situation by focusing the interrelationship between key economic, social, and political factors, and how the interplay between these factors generated effects that reinforced one another, causing the situation to unfold in a manner that has repeatedly taken U.S. and international policymakers by surprise. This paper uses a system dynamics framework to explain the rapid and dramatic transformation of Venezuela from an exemplar of prosperity and democratic stability in Latin America to a nation on the brink of socioeconomic and political collapse, to project a range of possible futures for the troubled country, and to draw implications from Venezuela for other troubled nations in Latin America.

Contribution and Relevance of System Dynamics

The political and socioeconomic environment in Venezuela may be viewed as a complex system with numerous interdependencies between the actions and positions of key players and the evolving context in which they interact. System dynamics is a methodology well suited to study complex, highly interdependent systems of this type.

System dynamics suggests that when many factors interact over time, the examination of a particular actor or set of structural imperatives in isolation will not adequately explain or predict the evolution of the system. Rather, the methodology focuses the attention of the analyst on how the combination of individual causal relationships leads the system as a whole to behave over time. For example, system dynamics calls attention to positive and negative "feedback effects," whereby which the impact of each of the actors and environmental conditions on the others causes the position of those actors, and those conditions to co-evolve

2004. p. 28. See also Carlos Coello, "Washington acusa a Chávez y a Castro." *Tiempos del Mundo*. January 15, 2004.

⁶ For a detailed pro-Chavez perspective, see Gregory Wilpert, *The Rise and Fall of Hugo Chavez: Revolution and Counter-Revolution in Venezuela*. Zed Books (Forthcoming). 2004. See also Ralph T. Niemeyer, *Under Attack : Morning Dawn in Venezuela*. Universe, Inc. 2004.

⁷ Recent academic works on the Venezuelan social and political context making the possible the ascendancy of Chavez include Javier Corrales, *Presidents Without Parties: The Politics of Market Reform in Argentina and Venezuela in the 1990s*. Pittsburgh, PA: Pennsylvania State University Press. August 2003. See also Jorge Salazar-Carillo and Bernadette West, *Oil and Development in Venezuela during the 20th Century*. Praeger Publishers, 2004. See also Enrique Bour, Daniel Heymann, Fernando Navajas, *Latin American Economic Crises: Trade and Labor*. Palgrave Macmillan, 2004. See also Kurt Weyland, *The Politics of Market Reform in Fragile Democracies*. Princeton, NJ: Princeton University Press, 2002.

⁸ Venezuela Country Analysis. EIA Country Analysis Brief. May 2003. <http://www.eia.doe.gov/emeu/cabs/venez.html>.

⁹ For a good academic treatment of this relationship, see Janet Kelley and Carlos A. Romero, *Venezuela and the United States: Rethinking a Relationship*. Routledge, 2001.

over time—often in ways dramatically different than the analysis of a single factor in isolation would suggest.

The system dynamics concept of “positive feedback” highlights how an initial condition may have direct and indirect consequences that ultimately reinforce that condition. One impact of the rhetoric of Chávez, as illustrated by the system dynamics “influence diagram” in Figure 1, was to expand the political mobilization of Venezuela’s poorest residents in a way that helped the leader to further institutionalize his power--putting him in a position from which the reach and divisive impact of his later rhetoric would be even greater. A system dynamics analysis suggests that such “positive feedback” effects are potentially destabilizing, driving a relatively modest initial condition or problem to expand far more rapidly than a traditional analysis would predict.

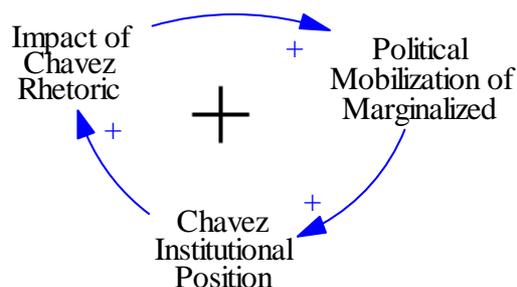


Figure 1 – Positive Feedback Loop

Similarly, the system dynamics concept of “negative feedback”, illustrated in Figure 2, highlights how an initial condition may generate consequences that counter that condition. Initial divisions in Venezuelan elites, for example, enabled mass mobilization and victories by Chávez in a number of key struggles, the result of which was ultimately to help suppress those elite divisions as the opposition became increasingly united against Chávez. Such negative feedback relationships are inherently stabilizing, and often help to explain why initial conditions or policy inputs produce less than the expected consequences.

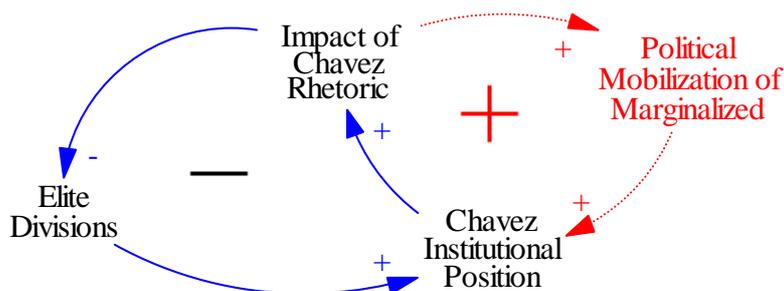


Figure 2 – Negative Feedback Loop

In general, system dynamics emphasizes that the ultimate behavior of systems such as the political and socioeconomic interaction in Venezuela are a consequence of the balance between positive and negative feedback effects over time. The analysis which follows highlights some of the key structural relationships impacting the evolution of the political environment. It uses the framework of that structural analysis to explain the progression of crisis and the deinstitutionalization of democracy in Venezuela over the past five years, then turns to applying that framework to predicting some alternative near-term futures for the crisis.

System Dynamics-Based Analysis of the Venezuelan Situation

The victory of Hugo Chávez in the Venezuelan presidential elections of 1998 was remarkable in that, just six years earlier, he had led a failed attempt to seize control of the state by means of a military coup, and subsequently served two years in jail for the effort. His victory, and the ability of his Movement of the 5th Republic to capture a significant number of seats in the Venezuelan congress was achieved at the expense of the two political parties that had alternated in power in Venezuelan politics for the prior 40 years--the Social Democratic “Democratic Action Party” and the Christian Democratic “Copei.”¹⁰ Chávez was able to achieve this victory by appealing to the most marginalized members of Venezuelan society at a time in which the rest of the Venezuelan electorate was divided and had lost faith in the ability of Venezuela’s two traditional party alternatives to address the nation’s problems.

Despite these conditions, however, the Venezuela which elected Hugo Chávez in 1998 remained a deeply conservative society with strong democratic institutions and processes, a well entrenched military and professional class deeply suspicious of leftist populism, and a relatively stable economy based on oil export income. Over the course of the next five years, Hugo Chávez was able to transform his modest initial foothold on power into domination of the driver of the Venezuelan economy (Petróleos de Venezuela, Sociedad Anonoma (PdVSA), the Venezuelan national oil company), the Venezuelan military, the Congress, and key constitutional bodies. He achieved these victories progressively, through a series of foreign and domestic alliances, bureaucratic maneuvering and proselytizing. The expansion of Chávez’s power and the crisis of Venezuela was punctuated by series of victories in strategically important national crises, many of which he helped to engineer--or at least controlled the timing and nature of the cleavage in decisive ways. In the course of these crises, the middle-class based opposition, the United States, and much of the international community was repeatedly caught off-guard, with responses that were, in some cases premature, and in other cases, too weak, too equivocal, or too late to make a difference.

At a strategic level, the accumulation of power by Chávez can be viewed as an interaction between his rhetoric and action, the position and response of the Venezuelan masses, and that of the Venezuelan middle class and elites. Figure 3 depicts this interaction as an influence diagram.¹¹ In system dynamics terms, as the following analysis will illustrate, the structure of this interaction is replete with positive feedback effects, and suggests that in his accumulation of power, Chávez capitalized on a number of instabilities in the contemporary Venezuelan political economy.

¹⁰ From the ouster of Venezuelan dictator Marcos Pérez Jiménez in 1958 until the ascendancy of Chávez, the country was considered relatively stable and dramatic, although plagued by corruption and growing economic disparities.

¹¹ To more clearly explain the dynamics depicted by the influence diagram, the narrative in the following paragraphs uses terms in quotations, as they appear in that diagram. In these diagrams, positive relationships are indicated by an arrow with a “+” sign (when an increase in one variable causes an increase in the impacted variable, or when a decrease in one variable causes a decrease in the impacted variable). Negative relationships are indicated by an arrow with a “-” sign (when a decrease in one variable causes an increase in the impacted variable, or when an increase in the variable causes a decrease in the impacted variable). Positive feedback loops occur when a series of variables successively impact each other so that the variable used as the starting point in the analysis is impacted. In a positive feedback loop, an increase in the variable used as the starting point of the analysis ultimately results in a further increase in this variable. Such positive feedback loops are depicted by large “+” signs in the diagram. In negative feedback loops, like positive feedback loops, the effects of a change in a variable can be traced through the system until they ultimately come back to impact the variable used as the starting point of the analysis. Unlike a positive feedback loop, however, in a negative feedback loop, an initial change in a variable used as the starting point of the analysis ultimately causes a change in the opposite direction. In the influence diagrams used in this paper, negative feedback loops are depicted by large “-” signs.

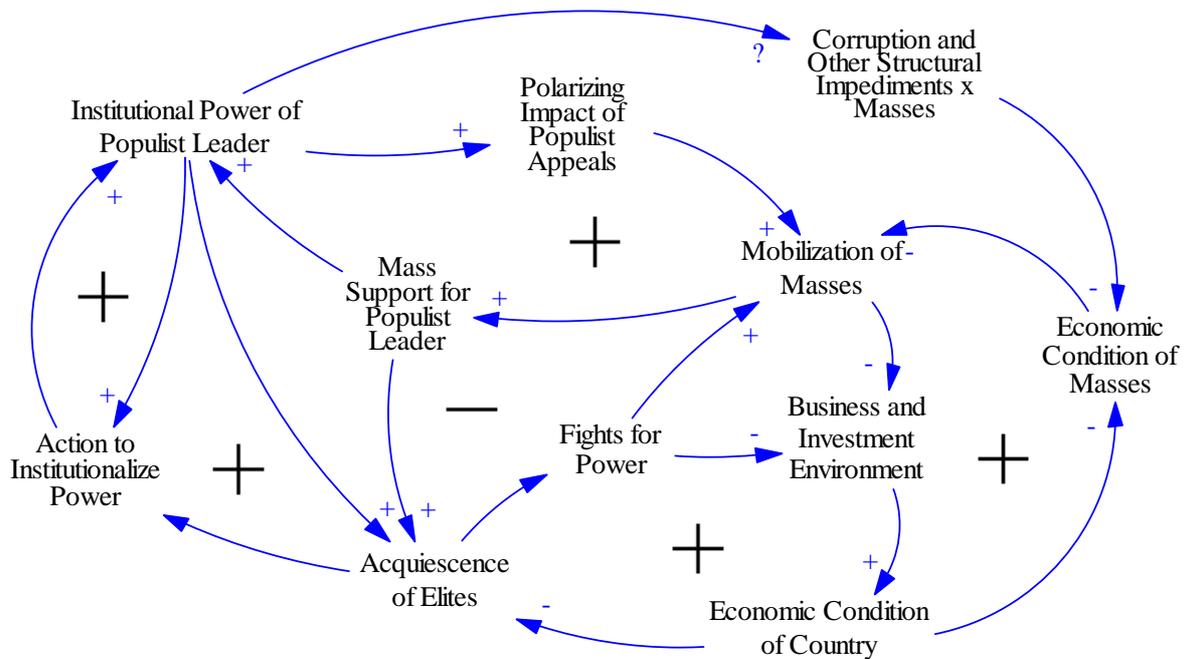


Figure 3 – Structure of Interactions Between Chávez, the Masses, and the Venezuelan Elites

Beginning at the bottom-right corner of Figure 3, although the “Economic Condition” of Venezuela was not poor when Chávez emerged on the political scene as a candidate for elected office,¹² the “Economic Condition of the Masses” was impaired by “Corruption and Other Structural Impediments.” The effect of the Chávez campaign rhetoric, here represented as “Polarizing Impact of Populist Appeals,” advanced the “Mobilization of the Masses”, providing him critical votes in the election (“Mass Support for Populist Leader”), ultimately allowing him to be elected to the Presidency, a position affording him a powerful rhetorical base and resources of the Venezuelan bureaucracy (“Institutional Power of Populist Leader”). This powerbase thus augmented the “Polarizing Impact of his Populist Appeals,” resulting in even more “Mobilization of the Masses” for their given objective economic condition. This mobilization of the urban poor, who saw Chávez as their champion, broadened the effective mass support base for Chávez.

Figure 3 helps to illustrate the many positive feedback effects through which president Chávez was able to widen his power while polarizing Venezuelan society, taking advantage of the hesitation of the Venezuelan elites, and further dividing society.

As noted previously, Chávez won the Venezuelan presidency in 1998 based on a modest and ambiguous mandate. Although his populist appeal to the poorest members of Venezuelan society was key in mobilizing sufficient votes to secure victory, his “Movement of the 5th Republic” probably would not have prevailed in those elections without the division of Venezuelan elites and public disillusionment with Venezuela’s traditional political party alternatives.¹³ As shown in the figure, his new institutional powerbase allowed him to use

¹² The first major emergence of Chávez on the Venezuelan political scene was his February 1992 failed coup attempt against the democratically elected government of Carlos Andres Perez. See “Chávez celebrates anniversary of his 1992 coup as opposition mourns the dead.” February 4, 2003. Miami Herald.

¹³ See Scott Wilson. “Political Deadlock Bolsters Chávez.” *Washington Post*. January 20, 2003. p. A15.

the resources of the state and the symbolic prestige of the Venezuelan presidency to reach out to and further proselytize the Venezuelan masses.¹⁴

Chávez has also used his position to launch a number of social programs with the indirect effect of helping to mobilize the country's poor, even while helping them. This included a new Venezuelan literacy campaign, launched in July 2003, with a target of training 100,000 instructors and sending them across the country to teach some 1.5 million Venezuelans how to read.¹⁵ It also has included a new land redistribution program.¹⁶ Significant government funding has also gone to finance the formation and growth of "cooperative" organizations, with Chávez announcing in June 2003 that 15 billion Bolívares of the federal budget would go to finance cooperatives.¹⁷ Although the extent to which Chávez has provided a net benefit to the condition of Venezuela's poor is subject to debate,¹⁸ the combination of his rhetoric, programs, and changes to the Venezuelan political structure clearly positioned him as the champion of Venezuela's poorest citizens. As one unemployed Venezuelan put it, "This government has paid attention to us. Before, a person from the 'barrio' wasn't worth the same as an oil worker."¹⁹

Within the democratic political culture of Venezuela, the mass support for Chávez provided the leader with a powerful lever in bureaucratic maneuverings to expand and consolidate his power ("Institutional Power of Populist Leader"). In his campaign, Chávez promised a "direct democracy" in which he would carry out the will of the people through expanded use of referendums and polls.²⁰ In accordance with this pledge, Chávez used a series of four popular referendums to restructure the constitution, the National Assembly, and the Venezuelan Supreme Court. In the process, Chávez effectively leveraged his mass following to re-shape the institutions of Venezuelan democracy in a way that gave him new levers to pursue his objectives and block his opponents.²¹ He was then re-elected in 2000 with a

¹⁴ Chávez has regularly used the weekly national radio show "Alo Presidente" as a platform to provide extended political commentary in a direct, and often coarse manner, including everything from insulting and ridiculing political opponents to making sexually explicit comments about his ex-wife. See *Tiempos del Mundo*. 19 March 2004.

¹⁵ Magdalena Morales. "Cuban Educators Spark Political Storm in Venezuela." *Washingtonpost.com*. August 6, 2003. See also Alexandra Olson. "Cuban Doctors Brave Venezuelan Slums." *Washingtonpost.com*. August 7, 2003.

¹⁶ As of September 2003, the program had reportedly distributed a million hectares of land to 41,000 families over the previous 7 months, with a 5-year goal to distribute 10 million hectares to 500,000 families. Humberto Marquez. "41,000 families get land under Venezuelan reform program." *FinalCall.com News*. September 16, 2003. See also Reed Lindsay, "In Venezuela, growing hope." *Sun Journal*. September 30, 2003.

¹⁷ Some 10,000 cooperatives representing 659,000 individuals had been registered by July 2003 under the 2001 Special Law of Cooperative Associations. "Civil Society, Social Movements, and Participation in Venezuela's Fifth Republic." February 9, 2004.

¹⁸ Casto Ocando, citing figures from the Institute of Economic and Social Studies of the Catholic University of Andrés Bello that almost half the population is on the threshold of poverty, concludes that "Never before have the ranks of the poor grown at such an alarming rate than in this period of government." "La combinación de golpes de Chavez." *Tiempos del Mundo*. April 1, 2004. p. 8. The purchasing power of the poorest Venezuelans during the past year has been eroded by an annual inflation rate for consumable goods of 38%. As an example of the impact of this inflation, in October 2003, the Chávez government raised the minimum wage to 247,000 bolívares per month--then equivalent to \$150 U.S. dollars. With the steep devaluation of the bolívar against the dollar due to the collapse of the Venezuelan economy, however, the minimum wage fell significantly in dollar terms, reaching a level of \$91.50 per month in March 2004. "Venezuela, la debilidad del salario mínimo." *Tiempos del Mundo*. March 25, 2004.

¹⁹ Patrick Markey. "Support for Venezuela's Chavez Down but Alive." *Washingtonpost.com*. May 13, 2003.

²⁰ "A slow-motion coup in Venezuela." *The Miami Herald.com*. March 31, 2004.

²¹ The new constitution of 1999, for example, allowed the Chávez-dominated National Assembly to appoint 20 new justices. It also allowed judges hired before the adoption of the new constitution to be fired at the discretion of the (pro-Chávez) Supreme Court chief justice, significantly undercutting the independence of the Venezuelan judiciary. Some 80% of Venezuelan judges currently fall in this vulnerable category. See

higher percentage of support, expanding his perceived mandate for change.²² With his new mandate, he was then able to secure the passage of an “enabling law,” which subsequently empowered him to secure passage of 49 laws that made significant changes to the structure of the Venezuelan economy and government bureaucracy.²³

At the same time, the perceived popular support for Chávez bolstered the “Acquiescence of elites,” who were already split and demoralized because of the legacy of corruption and paralysis of previous governments. In this early environment of acquiescent--or at least hesitating--elites, Chávez was able to use these perceptions, in conjunction with his access to institutional resources, to broaden that power through such vehicles as bureaucratic appointments and the passage of new laws.

In some cases, the new laws helped to broaden and institutionalize pro-Chávez mobilization, helping to organize and give resources to groups sympathetic to the President. The 2001 Special Law of Cooperative Associations, and significant government funding for groups qualifying under this law, led to the expansion of both economic and sociopolitical cooperatives from 1900 in 2001 to 10,000 by July 2003.²⁴ Initiatives aimed at diluting or creating alternatives to traditional Venezuelan institutions dominated by opponents of Chávez include attempts to form new local radio and television broadcasting stations, community newspapers, and websites.²⁵ More well known, the Chávez government helped to guide and support the formation of “Bolivarian Circles, whose explicit purpose is, in part “to participate directly in the making of decisions that affect their communities.”²⁶ As of February 2004, Bolivarian Circles claimed a national membership of some 2.2 million people organized in over 200,000 cells of 7-10 persons each, and are currently being organized into a structure of “Bolivarian Houses,” which seek “to unify the efforts of the Circles, along with various other civil society associations, in order to tackle complex issues that are regional, national or even international in character.”²⁷

In some cases, Chávez’s expanding power, often associated with a victory in a strategic crisis, enabled him to entirely change the calculus of future interactions. As part of the events surrounding the April 2002 coup, for example, Chávez was able to leverage his control of the National Guard to call upon that institution to repress street protests perceived as threatening to his regime when the regular Armed Forces resisted doing so.²⁸ The ability of Chávez to

Carlos Coello, “Golpe de Estado judicial?” *Tiempos del Mundo*. 1 April 2004. p. 7. See also “Court holds fate of Chávez, nation.” *Miami Herald.com*. March 31, 2004. See also Wilson. “Political Deadlock Bolsters Chávez,” p. A15.

²² Wilson. “Political Deadlock Bolsters Chávez,” p. A15.

²³ Miguel Campos. “Venezuela: The Bolivarian Revolution at a Crossroads.” *El Militante*. http://www.marxist.com/Latinam/venezuela_revolution_at_crossroads.html.

²⁴ Suggesting that such cooperatives are, by design, more than simply small businesses, the official website of Círculos Bolivarianos notes, for example, that “Through cooperatives, the state aims to induce communities to assume responsibilities of co-governance in the supervision, control, administration, and execution of public works and services, education and culture.” “Civil Society, Social Movements, and Participation in Venezuela’s Fifth Republic.” February 9, 2004.

²⁵ *The official website of Círculos Bolivarianos notes that through the granting of new local broadcasting licenses, the number of TV stations have expanded to 9, with 38 radio stations and nearly 500 community newspapers.* “Civil Society, Social Movements, and Participation in Venezuela’s Fifth Republic.” February 9, 2004.

²⁶ Taken from the official website of the Bolivarian Circles national organization. “Civil Society, Social Movements, and Participation in Venezuela’s Fifth Republic.” February 9, 2004.

²⁷ “Civil Society, Social Movements, and Participation in Venezuela’s Fifth Republic.” February 9, 2004.

²⁸ This was the brutal repression in which 20 Venezuelans were killed and more than 300 wounded, helping to precipitate the April 2002 coup. See Carlos Coello. “Habrà guerra si la oposición gana.” *Tiempos del Mundo*. October 30, 2003. p. 12.

prevail through this series of events surrounding the April 2002 coup,²⁹ then allowed Chavez to greatly strengthen his control over the Armed Forces, replacing key military leaders with personal loyalists. His ability to count on the loyalty of the Armed Forces subsequently helped to foreclose the question of military intervention during the national crisis precipitated by the December 2002 general strike.³⁰ In turn, Chavez used the strike, in which PDVSA played a key role, to fire 11,917 out of the organization's 37,942 employees and re-organized the company, further consolidating his control over this strategically important organization.³¹ In many case, key opposition leaders were forced out of their positions, and in the case of opposition labor unionist Carlos Ortega, forced into exile.³²

In addition to the direct interactions between Chávez, the masses, and Venezuelan elites, the national crisis and the power of Chávez were expanded by a number of indirect dynamics. First, the increasing “Mobilization of the Masses,” in conjunction with the increasingly bitter political and bureaucratic power struggles between Chávez and the opposition damaged the business and investment environment of the country. The 49 administrative laws passed by the Chávez administration in 2001, for example, contained tax policy changes and land reform measures which adversely impacted important Venezuelan business interests, leading the Venezuelan Chamber of Commerce (Fedecámaras) to call for a general business strike in December 2001.³³ Hugo Farías, head of the Instituto de Estudios Superiores de Administración (IESA), arguably Venezuela's most prestigious center of economic studies, concluded in April 2004 that “There is a climate of widespread fear and a lack of confidence in the policies of the government.”³⁴ This deteriorating business environment included not only the growing political unrest, but also the real and symbolic effects of populist maneuvers and bureaucratic power struggles. These included, for example, growing internal inefficiencies and discomfort by multinationals as Chávez installed his loyalists in key administrative and economic positions, to include positioning military officers on the board of PDVSA. At the same time, investor confidence in the nation's fiscal stability was eroded

²⁹ In part, this may be ascribed to the role of Chávez as titular commander-in-chief of the Venezuelan military, in part because they feared him, or the consequences of a coup for Venezuelan society, and in part, because in the democratic context, and with the prior legacy of involvement by the Venezuelan military, Chávez's popular following gave him legitimacy in the eyes of some.

³⁰ Journalist Scott Wilson notes, for example, that in the wake of the 2002 coup attempt, Chavez purged the upper ranks of the Venezuelan military, with the consequence that the military remained loyal during the December 2002 – February 2003 crisis. Wilson. “Political Deadlock Bolsters Chávez,” p. A15. He also used the Coup as a pretext to take control of the Caracas metropolitan police force, and although the Venezuelan Supreme Court subsequently ruled the takeover unconstitutional, the police force was left largely disarmed and “guarded” by Army detachments embedded in their stations. Pascal Fletcher. “Caracas Police Force Ducks Bullets and Politics.” *Washingtonpost.com* June 23, 2003.

³¹ Fabiola Sanchez. “30 Percent of Venezuelan Oil Workers Fired For Striking.” *Washingtonpost.com* February 12, 2003. Following the strike, Chávez also transferred coordination of relationships with foreign oil companies from PDVSA to the Venezuelan Petroleum Corporation (Corporacion Venezolana del Petroleo) under the Energy and Mines ministry, where it would be subject to Chávez's direct control. Emma Brossard. “Chavez Teams with Russia to Rape Venezuela.” *NewsMax.com*. September 29, 2003. The new organization subsequently launched an investigation into the oil companies, based on accusations of tax evasion. Peter Wilson, “Oil companies under tax scrutiny.” *Miami Herald.com*. April 1, 2004.

³² See “Venezuela's Chavez Warns Costa Rica on ‘Coup Plot’” *Washingtonpost.com*. November 2, 2003. See also “Carlos Ortega dice que seguirá luchando contra Chávez.” *La Nación USA*. April 1, 2004. p. A9. Other key Chávez opponents forced into exile include Army Captains Carlos Blondell and Otto Gebauer, granted asylum in Uruguay in April 2003, and four other dissident Venezuelan officers who have sought asylum in Peru and the Dominican Republic. “two Venezuelan Dissidents Get Asylum.” *Washingtonpost.com*. April 30, 2003.

³³ These laws included a “Land Law” which allowed the government to seize and re-allocate land regarded as “under-utilized,” the “Hydrocarbons Law” which increased taxes on foreign investors operating in the oil and gas sector from 16.6% to 30%, and the “Coastal Zones Law” restricting commercial fishing activity along Venezuela's coastline. Miguel Campos. “Venezuela: The Bolivarian Revolution at a Crossroads.” *El Militante*. http://www.marxist.com/Latinam/venezuela_revolution_at_crossroads.html.

³⁴Casto Ocando. “La combinacion de golpes de Chavez.” *Tiempos del Mundo*. April 1, 2004. p. 8.

by actions such as the attempt by Chavez to divert money from a currency stabilization fund held by the nation's central bank (Banco Central Venezuela) for a populist agricultural development program.³⁵ A estimated 500,000 Venezuelan businesses have shut down since Chávez came to power.³⁶ In the two years from 2002-2004, the Venezuelan gross domestic product shrunk 20% in real terms, with unemployment rising to 17.3%³⁷ and inflation 27.1% a year³⁸—the worst levels in South America.³⁹ In addition, the combination of economic collapse and punitive tax policies also dramatically expanded the informal economy, with an estimated 50% of all businesses now operating “off the books.”

The growing disgust of the professional class with the Chávez leadership, accelerated by economic decline, began to generate pressures that countered the acquiescence of Venezuelan elites by the December 2001 Fedecámaras strike, leading to the street violence of April 2002 in which some 17 people were killed and Chávez was temporarily forced to resign. As noted previously however, the Venezuelan elite was too divided to maintain power on its own, and fatally equivocated when the newly named acting president Pedro Caramona abolished the national assembly and the supreme court (Tribunal Suprema de Justicia),⁴⁰ and by the time of the December national strike, Chávez was sufficiently powerful and institutionalized to resist the growing challenges of these elites.⁴¹ Although technically under the Venezuelan constitution the Army is precluded from playing a role in internal security, by March 2004, its military police units were prominently deployed throughout Caracas as part of a joint command with the National Guard.⁴²

What the growing protests of these elites did do, however, was to exponentially multiply the number of political power struggles—including the December 2001 Fedecámaras strike, the April 2002 coup, the December 2002 national strike, and most recently, the recall referendum. At the popular level, these power struggles were complicated by competing parallel unions and national organizations, with one set generally dominated by Venezuela's more established interest groups, and new groups dominated by pro-Chávez interests. Such conflicting groups include rivalries between the National Women's organization and the Bolivarian Women's Movement, or between the Venezuelan Worker's Confederation and the Bolivarian Worker's Federation, or between the Accion Democratica Youth and the Bolivarian Youth Foundation. Such conflicting groups helped to turn elite competitions into popular clashes.

³⁵ “Chávez es un “delincuente constitucional” *La Nación USA*. January 15, 2004. p. A12.

³⁶ Casto Ocando. “La combinación de golpes de Chávez.” *Tiempos del Mundo*. April 1, 2004. p. 8.

³⁷ The unemployment figure for the first trimester of 2004 was, however, slightly lower than that reported for the 2003. “Desempleo en Venezuela alcanza 17,3% en primer trimestre 2004.” *El Nacional.com*. 3 June 2004.

³⁸ For 2003. Based on Banco Central de Venezuela figures from May 2004. “Inflación se ubicó en 1,2% durante el mes de mayo.” *El Nacional.com*. 1 June 2004.

³⁹ Carlos Coello. “Caída económica y social.” *Tiempos del Mundo*. March 11, 2004. p. 7.

⁴⁰ See Alan Woods and Ted Grant, “Revolution and Counter-Revolution in Venezuela.” *El Militante*. http://www.marxist.com/Latinam/venezuela_coup.html.

⁴¹ During the strike, for example, Chávez was able to leverage the \$11 billion in foreign currency reserves, and his control of both the country's financial system and transportation resources to purchase oil and other supplies for Venezuela on world markets, then distribute it to his key supporters. See Phil Stewart, “Venezuela May Face Long, Traumatic Standoff.” *Washingtonpost.com*. February 13, 2003. Chávez was also able to use the military to provide continuity of some key operations at PDVSA, and eventually to mobilize enough loyalists to bear so as to continue operations, albeit at a reduced level. On the punitive side, by contrast, Chávez was able to threaten to nationalize striking banks, deploy the National Guard into the streets to block anti-Chávez protesters, and to mobilize pro-Chávez mobs against striking businesses. James Anderson. “Bank Strike Deepens Venezuelan Standoff.” *Washingtonpost.com*. January 8, 2003. He was also able to establish a new foreign exchange mechanism that enabled a pro-Chávez currency control board to decide who could receive dollars, effectively blackmailing businesses supporting the strike. See Scott Wilson, “Chavez Changes Currency System.” *Washington Post*. February 7, 2003. p. A23.

⁴² “Use of troops against street protests brings angry response.” *Miami Herald.com*. March 29, 2004.

In cases such as the national strike and the coup attempt, these fights further accelerated the deterioration of the business and investment environment.⁴³ Not only did the actions of the elites, such as the calling of the strike, impose direct economic costs,⁴⁴ but with the rhetorical interpretations provided by Chávez, the pro-Chávez masses were led to perceive these actions as contrary to their interests, further polarizing and mobilizing them. Through this positive feedback loop, the masses became more polarized, the business and investment environment of the country deteriorated, the economy further worsened, and the elites became even more bitterly opposed to Chávez.

Exogenous Factors

Although outside the scope of the present analysis, a number of exogenous factors have also contributed to the devolution of the situation in Venezuela. Chávez has formed a close partnership with Cuba's leader, Fidel Castro, shipping some 53,000 barrels of crude oil per day to Cuba in exchange for thousands of Cuban doctors, agricultural experts, sports trainers, and others.⁴⁵ Retired Venezuelan Minister of the Interior Asdrúbal Aguiar notes that Chávez has also been assisted by the intelligence and actions of the G2, the Cuban intelligence service.⁴⁶

Although the true size of the Cuban presence and the nature of their activities in Venezuela is disputed,⁴⁷ analysts generally concur that the Cuba connection has given Chávez a potential hedge against his opponents among the Venezuelan elite. Moreover, in surviving, expanding his own power, and managing his "Bolivarian Revolution" in Venezuela, Chávez has benefited from the counsel of Latin America's most senior successful revolutionary leadership.⁴⁸

Beyond Cuba, the latitude of action of Chávez has been broadened by the diplomatic cover--and in some cases--economic support⁴⁹ that he has received from a series of other formal and informal alliances. Chávez has also allied with left-of-center politicians Nestor Kirchner in Argentina and Luiz Inacio Lula de Silva in Brazil to block the expansion of U.S. economic influence in the hemisphere, as currently manifested by opposition to U.S. efforts to create a

⁴³ In March 2004, for example, the Energy and Mines ministry opened up an investigation of foreign and domestic oil companies for the evasion of an estimated \$12.9 billion in taxes. Oil industry consultants said that the chilling effect of the investigation would definitely "hurt foreign investment." Peter Wilson, "Oil companies under tax scrutiny." *Miami Herald.com*. April 1, 2004. Overall, the Energy Industries Association estimates that as a consequence of the political and economic unrest, the Venezuelan economy shrank 8.9% in 2002. Venezuela Country Analysis. EIA Country Analysis Brief. May 2003. <http://www.eia.doe.gov/emeu/cabs/venez.html>.

⁴⁴ The general strike is estimated to have cost the Venezuelan economy \$6 billion. Christopher Toothaker. "Diplomats Gain Little in Venezuela Talks." *Washingtonpost.com*. May 8, 2003.

⁴⁵ Carlos Coello. "Chávez refuerza sus vínculos con Fidel." *Tiempos del Mundo*. January 8, 2004. p. 8.

⁴⁶ Carlos Coello. "Habrá guerra si la oposición gana." *Tiempos del Mundo*. October 30, 2003. p. 12. See also Linda Robinson, "Terror Close to Home." *U.S. News and World Report*. October 6, 2003.

⁴⁷ Paul Crespo, a former military attaché at the U.S. embassy in Caracas, writes that thousands of Cuban trainers have flooded Venezuela, under the guise of teachers, doctors, and sports trainers, with the purpose of indoctrinating and training pro-Chávez Bolivarian Circles. "El nexa terrorista entre Castro y Chávez." *Tiempos del Mundo*. March 11, 2004. p. 28.

⁴⁸ Carlos Coello suggests, for example, that Castro's philosophy that "revolutions aren't polled. Revolutions don't go to elections." "Chávez refuerza sus vínculos con Fidel." *Tiempos del Mundo*. January 8, 2004. p. 8.

⁴⁹ In August 2003, for example, Brazil's president Luiz Inacio Lula de Silva signed a series of trade and investment pacts, including Brazil's extension of a \$1 billion credit line to Venezuela for Brazilian products. Alexandra Olson. "Call Made for South American Trade Bloc." *Washingtonpost.com*. August 26, 2003.

“Free Trade Area of the Americas.”⁵⁰ As reporter Linda Robinson notes, these alliances have further included relationships with and trips to “Qadhafi’s Libya and Saddam’s Iraq.”⁵¹

In addition to the impact of such alliances, the pace and direction of events in Venezuela have also been influenced by the shadow of the United States, U.S.-based players, and various multilateral organizations. The combination of U.S. military might and its importance as a consumer of Venezuelan oil, for example, has arguably tempered some of Chavez’s actions. In spite of his fiercely anti-US and anti-capitalist rhetoric,⁵² for example, Chavez has continued Venezuela’s relationship as a key U.S. oil provider,⁵³ and has even tried to expand that relationship.⁵⁴ Similarly, a desire to avoid diplomatic isolation--and in particular, to avoid the invocation of the Democratic Charter by the Organization of American States (OAS) and its associated sanctions--may have contributed to Venezuela’s acceptance of the involvement of limited involvement in and oversight of recent electoral disputes by the “Group of Friends,” (Brazil, Chile, Mexico, Portugal, Spain and the United States),⁵⁵ and the monitoring of the verification of recall referendum signatures by the Carter Center⁵⁶ and Organization of American States.⁵⁷ During the verification process itself, the Venezuelan ambassador to the Organization of American States (OAS) indicated that the international environment would have a significant impact on the decision of the Venezuelan government to respect and support the outcome.⁵⁸

Alternative Futures for Venezuela

System dynamics suggests that complex systems with many interrelationships are difficult to predict over the long-term because the ultimate result can vary dramatically as a consequence of small changes that shift the delicate balance between positive and negative feedback loops. As such, this paper offers a range of possible futures arising from the prior analysis.

⁵⁰ “Venezuela Hails Latin American ‘Axis’ Against U.S.” *Washingtonpost.com*. January 15, 2004. See also Carlos Coello, “Lula se aleja de Chávez dor una consulta plebiscitaria.” *Tiempos del Mundo*. August 28, 2003.

⁵¹ “Terror Close to Home.” *U.S. News and World Report*. October 6, 2003.

⁵² For examples of his staunchly anti-US position at the January 2004 Summit of the Americas in Monterrey, Mexico, see “Chávez mantiene discurso de confrontación con EE.UU.” *Washington Hispanic*. January 16, 2004.

⁵³ This continuing relationship may be as much a matter of necessity as anything else. 80% of Venezuela’s foreign exchange earnings and 40% of government income derive from its oil exports. Fred Pals. “Venezuela Upheaval Unlikely to Affect Oil.” *Washingtonpost.com*. August 22, 2003. Tellingly, in the wake of a dispute over the actions of the U.S. Ambassador in Caracas Charles Shapiro, Venezuela’s ambassador to the U.S. publicly stated that “Venezuela wanted to preserve and extend its economic relations with the U.S.” “Venezuela Says Not Seeking Fight with United States.” *Washingtonpost.com*. May 20, 2003.

⁵⁴ During a July 2003 visit to Washington, for example, Venezuelan Energy Minister Rafel Ramirez proposed developing two significant new natural gas projects supplying a total of 2 billion cubic feet of gas a day from Venezuela to U.S. markets. Peter Behr. “Venezuela Offers More Gas to U.S.” *Washington Post*. July 19, 2003. p. E2.

⁵⁵ See “Chávez acepta observación internacional.” January 28, 2004. *El Tiempo Latino*. For details on recent involvement of the Group of Friends (Grupo de Amigos de Venezuela) in monitoring the referendum process, see also Carlos Coello, “Denuncian retraso de referendo revocatorio.” *Tiempos del Mundo*. February 5, 2004. p. 9. In a different article, Coello notes that critics have accused Chávez of informally ceding contested territory to the neighboring state of Guyana as part of an attempt to gain votes in the Caribbean Community to block the application of the Democratic Charter by that organization. Carlos Coello. “Chávez ‘vende’ el país por votos.” *Tiempos del Mundo*. March 4, 2004. p. 10.

⁵⁶ See Carlos Coello, “Centro Carter: 1º de marzo, ni un día mas.” *Tiempos del Mundo*. February 12, 2004.

⁵⁷ The Venezuelan National Electoral Council did, however, demand the removal of the head of the OAS delegation, Fernando Jaramillo, on the eve of the referendum verification process for allegedly favoring the opposition, and has indicated that it would significantly restrict the role of international observers during the vote itself. “Gobierno desconoce a Estados Unidos como miembro del Grupo de Amigos.” *El Nacional*. 27 May 2004. See also “CNE limitará actuación de observadores.” *El Nacional.com*. 10 June 2004.

⁵⁸ “Se supera impacto internacional de la repuesta del Gobierno a los reparos.” *El Nacional.com*. 3 June 2004.

Although the structural imperatives described in this paper make some futures more likely than others, all are in the realm of the possible.

Reflecting the balance of positive and negative feedback effects noted earlier, the course of the ever-shifting balance of power between Chávez, the masses, and the Venezuelan elites remains indeterminate.

On the one hand, Chávez has accumulated an enormous amount of institutional power. As has been demonstrated in recent months, Chávez can currently count not only on the backing of the regular Armed Forces and National Guard, but also on control by his party loyalists in the 5th Republic Movement (*Movimiento Quinta República*) of the Constituent Assembly, the office of the Comptroller, the Attorney General, and the Public Defender,⁵⁹ the at least half of the Supreme Court,⁶⁰ key lower courts, the “Bolivarian Circles” organizations at the grassroots levels, and numerous other public and private entities.

Such power has led Chávez to bring the mechanisms of the state to bear to block his opponents, or deter them from action. His control of the electoral bureaucracy and key elements of the courts, for example, proved significant in helping him to block the recall referendum. As an example, Venezuela’s electoral chamber of the Supreme Court found in March 2004 that the electoral committee was wrong in rejecting on technical grounds over 876,000 of the 2.43 million signatures collected for the recall referendum. However, the constitutional chamber of the court, headed by staunch Chavez supporter Ivan Rincon, derailed this victory for anti-Chavez forces by ruling that the electoral chamber lacked jurisdiction.⁶¹

The range of political outcomes in the near term will hinge on the political and bureaucratic maneuvering around the recall vote, currently scheduled for August 15, 2004.⁶² Polls indicate that in a free and fair election, Chávez will likely lose such a vote.⁶³ The strength and determination of the opposition is further boosted by results from the recall referendum petition verification process, in which, despite an environment of significant alleged intimidation by the government,⁶⁴ 2,569,584 Venezuelans came forward to affirm their signatures, and only 95,000 persons withdrew their signatures.⁶⁵ If Chávez is, however, able to delay the election until after August 19th, however, under the current constitution, he would

⁵⁹ Carlos Coello notes that Chávez loyalists control El Poder Ciudadano, collectively encompassing the Fiscalía, the Defensoría del Pueblo, and the Contraloría. “Cinco años de chavismo.” *Tiempos del Mundo*. March 11, 2004. p. 5.

⁶⁰ Chávez’s control over the courts was consolidated significantly in June 2004 with the passage of significant new legislation governing appointments to the high court (la Ley del Tribunal Supremo de Justicia). Carlos Coello. “Una dictadura con barniz democrático.” *Tiempos del Mundo*. 3 June 2004. p. 4.

⁶¹ Carlos Coello, “Golpe de Estado judicial?” *Tiempos del Mundo*. April 1, 2004. p. 7. See also “A dangerous stalemate in Venezuela.” *The Washington Times*. March 26, 2004.

⁶² “UE espera invitación de Venezuela para enviar observadores al referéndum.” *El Nacional.com*. 11 June 2004.

⁶³ According to a report by Datanálisis released in late March 2004, some 66.1% of Venezuelans wanted the immediate resignation of Chávez. Carlos Coello, “Golpe de Estado judicial?” *Tiempos del Mundo*. 1 April 2004. p. 7. According to some polls from this same period, popular support for Chávez was less than 20%. See Casto Ocando, “La combinacion de golpes de Chavez.” *Tiempos del Mundo*. April 1, 2004. p. 8. .

⁶⁴ These included arrests of opposition politicians such as Baruta mayor Henrique Capriles Radonsky in the days leading up to the election. “CIDA dictó medidas cautelares a favor del alcalde Henrique Capriles Radonski.” *El Nacional.com*. It also included the initiation of legal actions against anti-Chávez organizations such as Súmate during this period. “Observadores acudieron a la Fiscalía para conocer denuncias contra Súmate.” *El Nacional.com*. 26 May 2004. These also included almost 350 specific complaints of excessive security measures by the military that impeded access to the verification sites. “Denuncias y agresiones continúan en la tercera jornada de reparos.” *El Nacional.com*. 30 May 2004. See also, “CD asegura que Gobierno arreciará ofensiva contra reparantes.” *El Nacional.com*. 30 May 2004.

⁶⁵ “Enrique Mendoza: El 8 de agosto es el día para reivindicarse.” *El Nacional.com*. 3 June 2004.

be replaced by his loyalist vice president, José Vicente Rangel.⁶⁶ Even if the election is held before August 19th, the computation of the results could easily be delayed past the 19th of August.⁶⁷ The interpretation of the implications of such a delay is likely to be contested in the constitutional chamber of the Venezuelan Supreme Court, where it is likely that the Pro-Chavez majority, led by Chávez ally Ivan Rincón, is likely to rule in Chávez's favor.

Whether or not Chávez is forced to accept a loss before the August 19th timeframe, he also retains the recourse to calling for an early election.⁶⁸ As with a delay in the reporting of recall referendum results, such a move would likely be contested in the Venezuelan courts, where the Chávez position would likely prevail.

Under each of the likely scenarios, Chávez is likely to remain in power—overtly or behind the scenes—through the date of the next scheduled presidential election in 2006. Chávez will thus likely be able to continue to accumulate institutional power—or at least preserve his current position and steal, manipulate, or derail the 2006 election. Through such a course, including the accumulation of victories in subsequent crises, legal and bureaucratic changes, Chávez could ultimately subvert Venezuelan democratic institutions entirely, transforming the country into an oil-rich authoritarian socialist state on the model of Fidel Castro's Cuba. Such a state, according to those who foresee the risk, would play a significant role in destabilizing the region as a whole, and would have significant negative implications for the orientation and political calculus of the other democracies in the region, along with associated free-market institutions, such as the goal of a Free Trade Area of the Americas.⁶⁹

One of the chief alternatives to such a “Slow-Motion Coup” scenario⁷⁰ is that the ultimate subversion of the referendum to recall Chávez, or a similar but subsequent political tipping point, which would include clear violations of democratic processes, could lead key elites (including elements of the military) to unite against Chávez, countering his considerable institutionalized power base. Such events, in combination with significant economic pressure or suggested intervention by the U.S., or by multinational organizations such as the Organization of American States, could lead key pro-Chávez elites to change their calculus of advantage and turn on the leader.

In the absence of the rallying of Venezuelan elites behind a unified anti-Chávez banner, or perhaps in conjunction with it, the U.S., operating unilaterally or in conjunction with a multilateral organization such as CARICOM or the OAS, could intervene to remove Chávez from power in the name of regional democracy and security.

⁶⁶ According to the Venezuelan constitution, if the referendum is not held by August 19, 2004, instead of new elections, Rangel, would simply serve out the rest of the President's term. See Pascal Fletcher, “Chavez Hails Court Referendum Ruling, Foes Cry Foul.” *Reuters*. March 24, 2004.

⁶⁷ See “Oposición anunció acciones legales si convocan el revocatorio el 15-A.” *El Nacional.com*. 7 June 2004.

⁶⁸ The head of the Venezuelan Supreme Court, Iván Rincón, publicly indicated that Chávez could possibly run for re-election if his mandate was revoked, and currently has a case scheduled considering the matter. “Tribunal Supremo discute si Chávez puede ser candidato si es revocado.” *El Nacional.com*. 2 June 2004.

⁶⁹ Illustrative of Chávez's intentions and orientation was his June 2004 public pronouncement that the Bolivarian revolution was entering its “anti-imperialistic” phase. Carlos Coello, “Chávez: ‘fase antiimperialista’” *Tiempos del Mundo*. 27 May 2004. p. 4.

⁷⁰ The term was first used in relation to Venezuela by scholar Maxwell Cameron. See Paul Crespo, “El nexa terrorista entre Castro y Chávez.” *Tiempos del Mundo*. March 11, 2004. p. 28. See also “A slow-motion coup in Venezuela.” *The Miami Herald.com*. March 31, 2004. Carlos Coello similarly suggests that Chávez's use of gradual steps toward dictatorship is designed to lull the Venezuelan population into a sense of complacency as he accumulates power. See “Una dictadura con barniz democrático.” *Tiempos del Mundo*. 3 June 2004. p. 4.

Although the reaction of Venezuelans to an imposed solution would depend on the perceived character and extent of foreign (and particularly U.S.) involvement, all of the scenarios in which Chávez is removed from power by anything other than an overwhelming popular vote that is widely perceived as fair, would leave a highly mobilized Venezuelan lower class, highly agitated and with numerous, difficult to reconcile grievances. In the worst case scenario, given the armed status of the “Bolivarian Circles,” community organizations of up to 2.3 million persons⁷¹ marginally trained by the Chávez regime to protect Chávez’s “Bolivarian Revolution,”⁷² in combination with the proliferation of armed criminal groups and insurgents in Western Venezuela, the situation could devolve into greatly expanded political violence or civil war. Indeed, Chávez himself is on record as saying that if he were removed from office, even by something so benign as a loss in a recall referendum, “There will be war.”⁷³

Whether or not Chávez remains in power, the relationship between the Bolivarian Circles, criminal organizations, and armed political groups operating in southwestern Venezuela⁷⁴ has potentially grave consequences. A level of inherent ideological sympathy exists between the Bolivarian Circles and Colombian groups such as the Fuerzas Armadas Revolucionarias de Colombia (FARC) and Ejército Nacional de Liberación (ELN). In a scenario in which Chávez is forced from power, or simply loses control of these groups, the Bolivarian Circles could become the kernels of a protracted rebellion in the Venezuelan countryside. Given that this portion of Venezuela is already a high-volume drug transit area,⁷⁵ the involvement of these groups in the drug trade could also give them the arms and other resources to put the problem beyond the near-term ability of the state to control.⁷⁶ If Colombia is taken as a point of reference, the escalation in violence associated with such a guerilla movement, with a possible associated upsurge in kidnapping and actions against foreign interests, could help to disrupt economic activity, drive out foreign investors, and further weaken the state—setting into motion a potentially disastrous downward spiral.

⁷¹ The Círculos Bolivarianos national organization reported 2.2 million people formally registered as CB members as of February 2004, with each Circle consisting of 7-10 members. “Civil Society, Social Movements, and Participation in Venezuela’s Fifth Republic.” 9 February 2004. Internet document. http://www.circulosbolivarianos.org/proceso/prensa/gable_civilsociety.html.

⁷² Paul Crespo writes that the Bolivarian Circles are part of a new “1,000,000-person People’s Reserve militia recruited from Venezuela’s poorest classes,” and indoctrinated and trained by Cubans. One of Chávez’s former colleagues, Lieutenant Colonel Francisco Arias, for example, is on record accusing Chávez of secretly purchasing thousands of weapons from the FSLN in Nicaragua to arm the Bolivarian Circles to defend the regime. Carlos Coello. “Chávez advierte que dirige una revolución armada.” *Tiempos del Mundo*. January 29, 2004. p. 17. For a more detailed, sympathetic treatment of Bolivarian Circles, see *Leadership and Organization for Community Prevention and Intervention in Venezuela*. Maritza Montero, ed. Haworth Press, 2004.

⁷³ Carlos Coello. “Habrá guerra si la oposición gana.” *Tiempos del Mundo*. October 30, 2003. p. 12.

⁷⁴ Richard Millett provides an extensive discussion of incidents and other evidence showing FARC and ELN presence inside of Colombia. Most notably, he notes that Venezuelan intelligence has admitted that as many as 750 Colombian guerillas may be operating from inside Venezuela, and that one FARC leader has publicly acknowledged having forces inside the country. “Colombia’s Conflicts: The Spillover Effects of a Wider War.” Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute. p. 16. See also “Las FARC y Venezuela.” *El Comercio*. Lima, Peru. April 5, 2002. See also “Asegura FARC que Tiene Campamentos en Venezuela.” *Diario del Pueblo*. Beijing. April 19, 2002.

⁷⁵ One report estimates, for example, that 65% of the drugs produced in Colombia for export to the United States and Europe pass through Venezuela. Carlos Coello. “Venezuela, la autopista del narcotráfico?” *Tiempos del Mundo*. 22 April 2004. p. 14.

⁷⁶ As was seen in Colombia from 1982 when the then-obscure FARC became involved in the drug trade, such revenues enable armed groups to fund a larger membership of marginalized peasants, while also enabling them to buy increasingly lethal and sophisticated weapons.

Implications for the Use of System Dynamics in the Study of Latin America

The application of system dynamics to the understanding of the growing political crisis in Venezuela has broader applicability to the rest of Latin America, and beyond the region as well. Variants of the same conditions, including economic marginalization of the masses and empowerment of radical leaders played a role in the resignation of Gonzalo Sanchez de Lozada in Bolivia, as well as in the election of the obscure regional politician Nestor Kirchner in Argentina, Lula de la Silva in Brazil, and Lucio Gutierrez in Ecuador. In each case, the manner in which the newly elected populist leader has chosen to use his power, as well as the skill and discretion with which he has used it, has interacted with the local situation to shape the dynamics of each particular country.

Beyond the specific context offered by the analysis of Venezuela, this study suggests that a system dynamics-based analysis may be useful in helping policymakers to understand and anticipate risks and opportunities emerging in countries of concern, and to collaboratively analyze alternative strategies for mitigating those risks, or leveraging those opportunities.⁷⁷

Because system dynamics is a flexible, visually oriented methodology, it provides a useful mechanism through which experts from multiple disciplines can collaborate to construct a shared representation or “mental model” of the problem, and integrate their disparate perspectives and areas of expertise to address the situation. Because a system dynamics representation is relatively transparent and neutral among theories of causality, it also presents a logical mechanism in which experts or policymakers of different philosophical orientations can discover points of commonality and constructively discuss points of divergence with respect to a difficult problem of public policy.

Specific governmental organizations charged with intelligence or policy may benefit from applying tools and approaches based in system dynamics to develop more “systemic indicators and warnings, focusing on both macro- and micro-level interrelationships between actors and environmental factors in a country or region of interest. Such relationships might include political structure, key actors, their dispositions, powerbases, and constituencies, economic conditions of key businesses and population segments, the strength and activities of criminal and armed political groups, transfer of ideas between key players, and other factors as appropriate. Such indicators and warnings should highlight the interrelationships between economic, social, military, and political dynamics within a society. This focus would be to help U.S. organizations with a hemispheric security mission to more effectively identify when “positive feedback” dynamics within a nation such as Venezuela threatened to overwhelm stabilizing and countervailing “negative feedback dynamics.”

A system dynamics-based specification of key country or regional dynamics such as that currently seen in Venezuela would provide a logical reference point for generating “system level” indicators and warnings, along the lines of the “Insight” methodology developed by the UK’s Defence Evaluation and Research Agency (DERA).⁷⁸ Such an approach would permit the identification of key system drivers, and thus, of metrics best associated with the potential of the system to produce non-linear outcomes. Intelligence specialists and subject-matter experts interacting with system dynamics models could then use such a system and its component models develop and test mitigation strategies.

⁷⁷ See, for example, R. Evan Ellis. “The Impact of Instability in Latin and South America” *Engineering in Medicine and Biology Magazine*. January/February 2004.

⁷⁸ See Geoff Coyle, “The practice of system dynamics: milestones, lessons and ideas from 30 years of experience.” *System Dynamics Review*. Vol. 14. No. 4. Winter 1998. p. 352.

In dealing with the growing crisis in Venezuela, the United States repeatedly miscalculated in its response to unfolding events, such as the support it was perceived to have given to the military officers pursuing the ultimately failed coup of April 2002. The Venezuelan elites may be said to have failed as well, however, reacting to the tactics of Chávez on a day to day basis, while failing to perceive—or at least to effectively counter—the dangerous unfolding strategic dynamic unfolding in the country. To this extent, the application of system dynamics analysis in the sociopolitical arena holds promise to better the lives of those who practice it, and those in whose name it is practiced.