

Reversal of Opinion: the Implications of the Work of Acemoglu and Robinson for Marxist Thought

Howard Petith¹

August 2008

ABSTRACT: This paper describes the implications for Marxist thought of the work of Daron Acemoglu and James Robinson. In the first two periods of this they explained how the rise of democracy brought prosperity to Europe and why the same process had not worked in Latin America because of the possibility of coups. The implication is that mass poverty can better be alleviated by safeguarding democracy rather than moving to socialism. In the last period A&R have formalized doubts about the efficacy of democracy in this role. The implication here is that Marxists should work to find a system of government that is immune to elite dominance. Hugo Chávez is taken as an example.

I. Introduction

For this paper, Marxists are people whose thought exhibits three characteristics: they view society in terms of economically defined classes; they think that the masses are exploited economically by the elite; and finally, they favour a move toward socialism. The Marxists, whose thought I want to consider, are Marx and Engels themselves, a group of Latin American Marxists and finally, Hugo Chávez. All of them fit this broad definition.

Since 2000 Daron Acemoglu and James Robinson have written a large number of papers which have appeared or are about to appear in the most prestigious of mainstream economics journals. These articles have exhibited the first two Marxist characteristics but not the last. Rather than socialism, A&R have focused on democracy as the solution to the problems generated by the class struggle. Their work can be divided into three periods, in the first two they were optimistic about democracy. But in the most recent they are in the process of investigating why democracy can not be counted on to counteract exploitation. Thus the reversal of opinion of the title.

¹ This paper is a much revised version of a paper that was presented at El Primer Coloquio Internacional de Economía Política y Pensamiento Económico, Cuba 2005, Rethinking Marxism 2006, Amherst Mass, Congres Marx International V, Paris 2007 and The Institutional and Social Dynamics of Growth and Distribution, Piza 2007. I wish to thank the participants for their comments and especially Efraín Hechavarria, Luis Pacheco Romero, Al Campbell and Ryan Foster. I have also received helpful comments from Steve Ellner, Michael Howard, John King, Adalmir Marquetti and August Nimtz. I am responsible for all opinions and errors. Financial assistance is acknowledged from the Spanish Ministry of Science and Education and FEDER through grants SEC2003-00306 and SEJ2006-0379, from the Barcelona Economics Program of CREA, from the Generalitat of Catalunya through grant 2005SGR00477, and from Consolider-Ingenio 2010(CSD2006-00016). Comments to howard.petith@uab.es.

The most important paper of the first period is A&R (2000). This first appeared as a working paper in 1996 and considered the extension of democracy in 19th century Europe. In it they noted that the extension of suffrage both economically damaged the ruling elite and was partly responsible for the huge rise in the standard of living of the working class. They then argued that the elite were forced into this concession to avoid being destroyed by revolution.

The implications of this retrospective understanding of the 19th century for the work of M&E, it will be argued, are the following: M&E thought that socialism was necessary because, under capitalism, the wage would be forced to subsistence. Furthermore the route to socialism was, first, to use the threat of violence to force the extension of suffrage, second to use democracy to implant socialism and finally to be ready to fight the elite when they turned to illegal means to resist the change. If the interpretation of A&R is accepted, then the implication is that M&E were only partially correct. The threat of violence was necessary for the extension of suffrage, but the elite accepted the power that democracy gave the workers to ameliorate the effects of exploitation and socialism was not necessary.

The central contribution of the second period is A&R (2001) in which they consider Latin America. The current situation there is similar to that of Europe at the beginning of the 19th century with capitalism and wide spread poverty. Marxists generally see socialism as the solution. But there is no attempt to explain why the 19th century European solution has not worked, especially since universal suffrage is prevalent in Latin America. A&R provide an answer to this. If a government attempts to redistribute, it will fall victim to a coup. The reason why this has only occurred in Latin America is that there the distribution of wealth is sufficiently unequal to make it worthwhile for the elite to bear the costs of defending themselves in this manner. The implication of work of A&R of these first two periods is that, rather than seeing socialism as the solution to Latin American poverty, Marxists should emphasise the 19th century European democratic solution and concentrate on finding ways to disarm the coup weapon.

In the third period, which dates from 2006, they have begun to question whether even a properly working democracy can reduce exploitation. In A&R (2006a) they produce a model in which the elite capture democracy. That is, there is a perfectly functioning democracy but the elite party regularly wins elections and imposes labour market rules which allow the exploitation of the workers. What are the implications of this for the thought of Hugo Chávez?

Chávez, unlike the majority of Marxists, takes democracy seriously. He thinks that, in Venezuela, representative democracy has been used as a tool by the elite to expropriate the oil revenue surplus. His solution has been to move toward participatory democracy. This view, that representative democracy can be a tool of exploitation goes strongly against received opinion which perceives it as the only legitimate form of government.

The implications of the work of A&R are, first, to provide a framework that permits, it will be argued, an understanding of the course of events in the conflict between Chávez and the Venezuelan elite. But, second, and of far greater importance, it shows that Chávez is correct and that received opinion should be revised. That is, A&R have constructed an argument in the language of mainstream economics, a language that commands respect generally², that shows how representative democracy can be a tool of economic repression and that the search for an alternative is a legitimate and important task.

In the rest of the paper the above arguments are set out in detail in three sections and then summarised in a conclusion.

II. Democracy, Revolution and Marxist Thought in 19th Century Europe.

The paper, A&R (2000), which appeared as a working paper in 1996, represents a breakthrough. It is the first analytic paper that I know of that views society in terms of a conflict between economically defined classes, gives democracy pride of place in this conflict and, finally, uses this frame work to interpret an important segment of history. All their other papers follow this pattern. In this section the A&R (2000) model is described and their interpretation of the 19th century is given, M&E's predictions of what would happen are summarised and finally, to the extent that the events differed from the predictions, the modifications that ought to be made to Marxist thought are indicated.

1. A&R's Interpretation of 19th Century Europe

The central puzzle that A&R wish to solve is the following. At the beginning of the 19th century the countries of Europe were ruled by the elite and by the end of the century they were governed democratically with universal suffrage. Since this change was hugely expensive for the elite, why did they permit it? The quick answer is that

² One has only to ask what is the language of instruction of economics in democracies generally. US textbooks were even used in Cuba for a period after the fall of the USSR.

democracy was conceded to avoid a revolution that would have destroyed the elite. But this answer hides a more complicated question. Why did the elite choose democracy when they could have defused the revolutionary threat with a transfer of income and, at the same time, kept control of the government? This is the question that A&R want to answer.

In their model there are two classes, the elite and the poor, who play a repeated game. Initially there is elite rule and, in each period, the state is chosen randomly: it may or may not be a revolutionary period. If the period is non-revolutionary the elite rule is secure, but if the period is revolutionary the poor may destroy the elite at a cost. In the latter case the elite have two defences: they may either pay a bribe to the poor, or they may concede democracy. If they make the concession it is permanent and can not be taken back. But if they bribe, once the revolutionary period is over, the payment will cease. If the time between revolutionary periods is sufficiently long, the bribe the poor will demand will be large and the elite may not have the resources to pay it. In this case the only recourse the elite have to avoid destruction by revolution is to concede democracy. According to A&R, the existence of democracy in Western society turns on this subtle argument.

Since the publication of the working paper a large number of papers on this theme have appeared. In addition, in their book (2006), A&R have amplified the model most notably to include the middle class. But, with some exceptions, the theme has been that the threat of revolution forces the concession of democracy and this, in turn, is responsible for an equitable distribution of income and the disappearance of mass poverty.³

2. M&E in the Light of A&R's Interpretation

The goal of Marx and Engels was the emancipation of the workers. This section explains why they thought that socialism would be necessary for this and how they thought socialism could be brought about. Finally it considers how correct they were in the light of what actually happened as interpreted by A&R's paper.

Marx and Engels' primary focus of interest was England and Germany. To gain perspective, it is helpful to have before one the movements of the real wages in these countries during the period that Marx and Engels were active, from 1840 to 1896. These

³ See A&R (2000a) and Justman and Gradstein (1999) for example. Two exceptions are Galor and Moav (2006) and Llavador and Oxoby (2005).

are given in Figure 1 below. In both countries, during this period, the real wage came close to doubling. It should be emphasized that, while Marx and Engels were extremely



Figure 1 Real Wages

knowledgeable about the events of the labour market, the kind of data upon which these series are based has only recently become available.

The evolution of Marx and Engels ideas can be traced by looking at a sequence of their writings: First consider *The German Ideology* which was written from the spring 1845 to the of spring 1847. This is where Marx and Engels set out the theory of historical materialism. An important theme is that history can be viewed as a sequence of property relations in which socialism comes almost as a logical consequence of the development. The main benefit of socialism is to bring alienation to an end and poverty gets barely mention. Socialism is brought about by revolution, but this is not clearly spelled out. The following quote captures this:

In order to become...a power against which men make a revolution, it (the alien attitude of men to their production) must necessarily have rendered the great

mass of humanity “property-less” and moreover in contradiction to an existing world of wealth and culture (Marx and Engels, *Collected Works*, Vol. 5, p. 48).

With the Communist Manifesto, written between December 1847 and January 1848, things change. It recounts the bourgeois conquest of feudalism and the coming victory of the proletariat. Marx has become ambivalent about how this will happen: At one point he writes: “The violent overthrow of the bourgeoisie lays the foundation for the sway of the proletariat” (Vol. 6, p. 495). But later he says:

The first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy, the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie (Vol. 6, p. 495).

The eradication of poverty rather than alienation has become the justification for socialism:

The modern labourer sinks deeper and deeper below the conditions of existence of his own class...and here it becomes evident, that the bourgeoisie is unfit any longer to be the ruling class in society...because it is incompetent to assure an existence to its slave within its slavery (Vol. 6, p. 495).

Alienation is not mentioned.

With The Provisional Rules of the Association (The Working Men’s International Association) and The Inaugural Address, both written at the end of October 1864, the call for socialism is toned down and poverty is emphasised. In The Rules he states “...the struggle for the emancipation of the working classes means...a struggle...for equal rights and duties and the abolition of all class rule.” (Vol. 20, p. 14). While The Address opens with “It is a great fact that the misery of the working masses has not diminished from 1848 to 1864...” (Vol. 20, p.5). And then continues for five pages with a detailed accounts of the bad conditions which are completely different from the mere dramatic references of the Manifesto

Next, in Value, Price and Profit, written in June of 1865, there is the only explicit justification of socialism by Marx that I know of. Value, Price and Profit is a complete version of Vol. I of Capital compressed into 46 pages. In it (Vol. 20, pp. 145-6) Marx explains clearly that the value of labour power is culturally determined but that it has a minimum value that is determined by what is physically necessary to enable a working

man to reproduce himself, “ The fixation of its actual degree is only settled by the continuous struggle between capital and labour.” (Vol. 20, pp. 146). Marx then notes that the capitalists can create unemployment by raising the composition of capital (Vol. 20, pp. 147-8.). And then he states:

These few hints will suffice to show that the very development of modern industry must progressively turn the scale in favour of the capitalist against the working man, and consequently the general tendency of capitalist production is not to raise, but to sink the average standard of wages, or to push the value of labour power more or less to its minimum level (Vol. 20, p. 148).

Because of this, Marx states “They (the workers) ought to inscribe on their banner the revolutionary watchword, “Abolition of the wages system”.” (Vol. 20, p. 149).

It seems to me significant that this assertion, that capitalism pushes the value of labour power to the physical minimum, did not appear in Vol. I of Capital that was published only two years later. It seems to me possible that the prolonged rise in wages began to cause Marx to doubt that capitalism would force the wage to the physical minimum.

In The Address of the Land and Labour League of 1869 which was edited by Marx , the justification for socialism is more muted:

the ruling classes have failed to secure the industrious wages-labourer in the prime of his life against hunger and death from starvation...a score of London working men...came to the conclusion that the present economical basis of society was the foundation of all existing evils,-that nothing short of a transformation of existing social and political arrangements could avail... (Vol. 21, p. 404).

Here the inevitability of bad conditions under capitalism is only implicit.

From 1870 the major issue of whether socialism should be achieved by violent or political means was in the forefront. I will argue that Marx and Engels’ view was a subtle mixture of the two.

In his speech on the 7th anniversary on the International that he gave on September 24 1871, Marx said:

The Commune was the conquest of political power by the working classes. ...In destroying the existing conditions of oppression ...the only base for class rule and oppression would be removed. But before such a change could be effected, a proletarian dictatorship would be necessary, and the first condition of that was a

proletarian army. The working classes would have to conquer the right to emancipate themselves on the battlefield (Vol. 27, p. 634).

But in The Resolutions of the London Conference on the International, drafted and moved by Marx and Engels and issued October 17th 1871 it is stated that:

Considering that against this collective power of the propertied classes the working class cannot act, as a class, except by constituting itself into a political party, distinct from, and opposed to, all old parties formed by the propertied classes:

That this constitution of the working class into a political party is indispensable in order to ensure the triumph of the social revolution and its ultimate end – the abolition of classes (Vol. 22, p. 427).

These seemingly diametrically opposed statements can be seen to be consistent from Marx's report to the Hague conference in September 1872.

We know that institutions, customs and traditions in the different countries must be taken into account and we do not deny the existence of countries such as America, England and...Holland where workers may achieve their aims by peaceful means. That being true, we must also admit that for most countries on the continent, it is force which must lever our revolution, it is force which will have to be resorted to for a time in order to establish the rule of the workers (Vol. 23, p. 255).

Thus a simple resolution of the conflict is that the first refers to countries where force is necessary and the second where it is not.

A more subtle interpretation arises from the experience of the Commune: It was democratically constituted and destroyed by the forces of reaction. The army of the first quote might be necessary for the defence of the democratic achievements against the forces of reaction. This second interpretation will be seen to be consistent with a late quote from Engels.

But I think that the relation between violent and political means in Marx's thought is even more subtle than this. This can be seen by looking at the conflicts within the General Council (of The International) and later within the SPD (The Social Democratic Party in Germany). With respect to the General Council, Engels described these conflicts in a newspaper article, written after September 1872, in which he explained why it had been decided to move the General Council to New York. The current members could not continue for lack of time

And then there were two elements in London both striving to gain the upper hand in the General Council, and in such conditions they would probably have done so.

One of these elements consisted of the French Blanquists, a small coterie who replace discernment of the real course of the movement with revolutionary talk, and propaganda actually with petty spurious conspiracy leading only to useless arrests.

The second dangerous element in London comprised those English working class leaders...(who) would now play a quite different role and the activity of the international in England would not only come under the control of the bourgeois radicals, but probably under government control (Vol. 23, pp. 265-6).

The objection to the Blanquists and the Bakuninists is straight forward: any immediate recourse to violent means will be defeated by the forces of the ruling class. But, in view of Marx and Engels' advocacy of political means, their objection to the English working class leaders is less clear.

There are, I think, two motives for this objection. The first was given by Engels in a news paper article of February 22 1874. He argued in favour of an independent labour party and against the incorporation of working men's candidates into the Liberal Party.

In order to get into parliament, the "labour leaders" had recourse, in the first place, to the votes and money of the bourgeoisie and only in the second place to the votes of the workers themselves. But by doing so they ceased to be working men's candidates and turned themselves into bourgeois candidates (Vol. 23, p. 614).

But this is not a fundamental objection since there would be nothing to stop the "labour leaders", once they in, from raising money in the future from workers and depending only on the workers vote since after the 1865 reform bill "in all big cities they now form a majority of the voters."(Vol. 23, p. 613).

Finally one sees the objection clearly in Marx and Engels' attack on a similar tendency in the SPD led by Eduard Bernstein, Karl Höchberg and Karl Schramm.

Thus in the view of these gentlemen the Social-Democratic party ought not to be a one sided workers' party, but a many sided party of "all men imbued with a true love of mankind." (Vol. 24, p. 264).

Marx and Engels claim that just because the social democratic voters

have sense enough not to beat their heads against a wall and attempt a “bloody revolution” with odds at one to ten, (this does not) prove that they will, for all time, continue to deny themselves all chance of exploiting some violent upheaval abroad, a sudden wave of revolutionary fever engendered thereby, or even a victory won in a clash arising there from! (Vol. 24, p. 265).

They summarise:

For almost 40 years we have emphasised that the class struggles is the immediate motive force of history and, in particular, that the class struggle between the bourgeoisie and the proletariat is the great lever of social revolution (Vol. 24, p. 269).

The key word here seems to me to be “lever”. An interpretation that fits well is that the proletariat cannot depend on “a true love of mankind” but must use the threat of violence to pry concessions out of the bourgeoisie.

Returning, for the last time, to the issue of socialism as the way to emancipate the working class, the justification is that capitalism condemns the working class to a wage at the level of physical subsistence. Marx said this clearly in 1865 but not afterward so that he may have begun to have doubts. But Engels, two years after Marx’s death, still held this opinion. He admits that wages of factory hands and of workers with trades have improved.

But as to the great mass of the working people...the law which reduces the value of labour-power to the value of the necessary means of subsistence, and the other law which reduces its average price as a rule to the minimum of these means of subsistence: these laws act upon them with the irresistible force of an automatic engine, which crushes them between its wheels (Vol. 26, p. 299).

He then relates this to socialism:

And that is the reason why since the dieing-out of Owenism there has been no socialism in England. With the breakdown of that monopoly, the English working class will lose that privileged position; it will find itself generally-the privileged and leading minority not excluded-on a level with its fellow-workers abroad. And that is the reason why there will be socialism again in England (Vol. 26, p. 301).

Finally Engels provided a twist to the scenario of the achievement of socialism by political means which was referred to above and which is interesting in the light of what

has happened. As quoted by Nimitz (1999, p. 224-5) in a 1892 letter to Paul Lafargue, Engels wrote that universal suffrage is

Slower and more boring than the call to revolution, but its ten times more sure, and what is even better, it indicates with the most perfect accuracy the day when a call to armed revolution has to be made; its even ten to one that universal suffrage, intelligently used by the worker, will drive the rulers to overthrow legality, that is to put us in the most favourable position to make a revolution.

3. The Implications

Thus what is the relation between the mainstream papers and the thought of Marx and Engels? It has been argued that they thought first, that socialism would be necessary because capitalism would condemn the working class to a subsistence wage and second, that the way to achieve socialism was by political action backed by the threat of violence. The behaviour of the wage during the time that Marx and Engels were active, and subsequently, shows that their first idea was wrong: capitalism does not force the wage to subsistence and socialism is not necessary for the avoidance of mass poverty. But why did the wage rise? According to the mainstream papers it was, in part, due precisely to the political action backed by the threat of violence. Thus Marx and Engels' second idea was correct in the sense that political action backed by the threat of violence is capable of bringing an end to poverty. It is just that it can do this under a regime of capitalism and democracy, and socialism is not necessary⁴. I think that, in a nutshell, these last two sentences express the lesson of 19th century Europe.

III. The Failure of the European Solution in Latin America

Latin America now is like Europe at the beginning of the 19th century in that it is a group of capitalist economies whose major problem is the existence of mass poverty. According to the lesson of 19th century Europe, the solution should be political action backed by the threat of violence. In fact, the threat may not be necessary because, in Europe, it was used to force the extension of suffrage, while in Latin American democracies this in general already exists. The problem with this solution is that there has been democracy in Latin America for approximately 100 years and mass poverty shows no signs of being alleviated. Thus it seems that the lesson of 19th century Europe is not applicable to Latin America.

⁴ It is perhaps symptomatic of this that Howard and King (2000), in an article entitled "Where Marx Was Right", did not include socialism.

1. Latin American Marxist Thought

Since the determined resistance of the US has closed the revolutionary route, many Latin American Marxists see socialism, achieved by political means, as the only solution to mass poverty. Steve Ellner (2004) summarized the views of three of these, then commented and they replied. The first of these was Marta Harnecker (2005). Of the three, she was the only one to explicitly state the reason for the move to socialism: “Free...them (the working class)... from material poverty and the spiritual misery which is bred by capitalism” (p. 143). However this is difficult because “If a country decides to put greater emphasis on programs of social development”...(the financial speculators withdraw) “enormous sums of capital from the country, with disastrous consequences” (p. 145). The only way around this is to build the trust of the people with small socialist projects (p. 150) that may eventually change the current configuration of forces (p. 149). The equation of capitalism with material poverty etc. echoes Marx’s 1865 statement and ignores the modern experience of developed countries. And her last idea is similar to the current ideas of Marxists in developed countries⁵. It also runs up against the somewhat crude objection that, after an exhaustive trail in Europe, capitalism and democracy was virtually unanimously chosen over socialism.

The second is James Petras (2005), who argues against a strategy in which the Left allies itself with the national bourgeoisie because they will not work against neo-liberal reforms. He first argues that the resistance of the developed capitalist countries to third world socialism can be overcome by exploiting differences in the international capitalist camp (Ellman 2004, p. 24). He then takes Lula da Silva of Brazil as an example of what happens to the Left if the Centre is taken as a partner: Lula financed foreign debt payments by cutting pensions (pp. 155-6), favoured the agro-export industry at the expense of the peasants (p. 157) because it generated funds for meeting debt obligation (p. 158), and starved the zero hunger program of funds (p.158). Why did he do this? Generally left parties depend on local capital (p. 153), and Lula’s campaign was largely financed by “big business contractors, racketeers and industrial capitalists” (p. 156). Since presumably it is the coalition with the centre that leads to values being compromised, the solution is for the left to go it alone (p. 153). This argument calls to mind Engels’ argument against a coalition with the reformists, and it has the same weakness. In particular, how can one explain what happened in Europe if the capitalists

⁵ See Petith (2007) pp. 12-15.

are always able to buy off the left wing politicians? An alternative explanation would be that Lula is as far left as it is possible to be without having the government fall. To see this one has to ask how long Lula's government would last if there was an exchange crisis because he hadn't cut pensions, or if he tried to service the foreign debt by imposing a European style progressive income tax?

The third is Jorge Castañeda who, according to Ellner (2004) thinks that the revolutionary road is impossible and instead wants a Centre-Left alliance whose goal would be

to reform and humanize the existing capitalist structure, but without replacing it with a new one. (The finance would) come from a vigorously enforced sales tax rather than a progressive income tax...(because) If you go too far they (the capitalists) will just decamp. Either there will be capital flight and capitalist flight - they'll just go and live somewhere else; or they'll over throw the government which they are capable of. (pp. 13-4, the first quote is a paraphrase by Ellner, the second is a direct quote.)

Note that Castañeda is explicitly repeating Engels' warning. Later, in an interview with Ellner, Castañeda (2005) explained that there should be "higher taxes so there would be more money available for social programs" (p. 139). And with respect to the political realm "more responsive democracy... in the sense that excluded sectors can get involved ...so that democracy becomes more responsive and consequently more consolidated" (p.139). Ellner criticises this: "whenever the centre-left alliance has reached power in Latin America, anti-neo-liberal goals have been subordinated to other objectives such as the struggle against corruption, effective implementation of social programs and democratization." (p. 18). It seems that he is criticizing the lack of opposition to privatizations, lowering of tariffs and free movement of capital. But there is a more basic gap in Castañeda's program. If the capitalists are capable of overthrowing the government, how can the Left have any bargaining power in a Centre-Left coalition? That is: there is no explanation of how the strategies of a Centre-Left coalition and more democracy can lead to changes the basic configuration of power within the country.

To summarize: First, there is no explanation of why the European solution to mass poverty has not worked and thus, why socialism is necessary. It is evident that it has not worked, but it is potentially important to know why, and this issue has not been addressed. Second, there are two obstacles to the establishment of socialism or in

Castañeda's case, when looked at closely, following the European route: capital mobility and danger of a coup. Petras presumably thinks that the problem of capital mobility will be neutralized by the divisions in international capitalism, while Harnecker feels that the small projects will not start a capital flight. But only Castañeda faces up to the problem that the coup weapon gives the Right the power of veto over social arrangements. And he has no solution to this.

2. A&R on the Failure of the European Solution

Acemoglu and Robinson (2001) extended their European model so that they could consider issues relevant to Latin America. In particular they provide answers to the two questions raised in the previous section: Why have capitalism and democracy not served to eradicate poverty in Latin America as they did in Europe and how can the coup weapon of the ruling class be nullified?

Their model is similar to the European one. In the case that there is a dictatorship, when there is a revolutionary period, the poor may force the concession of democracy by the threat of a revolution. They then extend the model by supposing that, if there is a democracy, when there is a revolutionary period the ruling class can, at a cost, stage a coup and return the system to a dictatorship.

Income can be redistributed by taxes, but it is argued that it is the underlying distribution of wealth that determines whether democracy is stable or not. If the distribution is extremely unequal then, when there is a democracy and the period is non-revolutionary, the poor will vote for a heavy tax on the rich and there will be a massive redistribution of income. Thus, when a revolutionary period finally arrives, the rich will have much to gain by installing a dictatorship and will be willing to bear the cost of a coup. In this case democracy will not be stable. If, on the other hand, the distribution of wealth is not very unequal, the taxes on the rich during non-revolutionary periods will be low, the gains of the rich from a coup will be less than the cost and democracy will be stable.

The model provides an explanation of why the European solution to mass poverty has not worked in Latin America. There are three types of democracy. To see this, consider the tax strategy of the poor. It is supposed that it is costly to collect taxes so that the poor would not consider taxing away all of the income of the rich. During a non-revolutionary period, they will choose a tax that maximises the transfer they receive from the rich. But during a revolutionary period there are three possibilities. First, they may continue to charge their optimum tax in the knowledge that, even with this high

tax, it will not be worthwhile for the rich to stage a coup. In this case the democracy is called consolidated. Second, in order that it will be optimal for the rich not to stage a coup, the poor may lower the tax. In this case the democracy is called semi-consolidated and will exhibit low taxes during revolutionary periods. Third, it may be the case that even a zero tax will not be sufficient to avoid a coup. The democracy, in this case, is called non-consolidated. It is the distribution of wealth that determines the type of democracy. For example, if the distribution of wealth is very unequal, the taxes in the non-revolutionary periods will be very high, even a zero tax during a revolutionary period will not be sufficient to compensate the rich and they will stage a coup; that is the democracy will be unconsolidated. Generally, as the distribution of wealth falls from equality to extremely unequally distributed, the type of democracy moves from consolidated to non-consolidated.

The reason the European solution has not worked is the following. First, Europe has an equalitarian distribution of wealth, consolidated democracies, a tax system that redistributes income and, thus, has no mass poverty. Latin America, on the other hand, has an unequal distribution of wealth, democracies which are either semi or non-consolidated, a tax system which is unable to redistribute income and thus mass poverty. Thus the basic reason for the failure of democracy in Latin America is the difference in the distribution of wealth.

3. The Implications

Note that the model supplies a foundation for the criticisms of the previous section. First it gives a formalization for the alternative reason, given above, for Lula's not moving further to the left. Second it spells out the consequences of Castañada's insight that capitalists have the ability to overthrow the government. Finally, it exposes the lack of any reasoned argument behind Castañada's hope that a Centre-Left coalition with a more consolidated (here with a different meaning) democracy would bring an end to mass poverty.

What are the implications for Marxist thought? The three lacunae were indicated above were: no answer to why the European solution had failed and thus why socialism was necessary; no solution to the coup problem; and finally no convincing way to avoid the effects of capital mobility. The model provides a deep insight into all of these.

Consider the first two. When looked at closely the model parallels the position of Marx and Engels, but with an important difference. M&E advocated democratically imposed socialism and the readiness to fight when the elite turns to illegal means. A&R

foresee democratically imposed redistribution possibly thwarted by a coup. This is the parallel. The difference is that M&E thought that socialism would be necessary, but with hindsight A&R understand that democratic redistribution is sufficient to alleviate poverty. The implication for Marxist thought in Latin America is that Marxists are correct to emphasise political means but first, they should focus more on democratic redistribution since the European experience has show that socialism is not necessary and second, they should take account of the A&R insight and work on redistributing wealth since, unless the coup weapon is disarmed, any attempts to cure poverty by redistribution are doomed.

Now consider capital mobility. A&R's position on this is ambiguous. On the one hand they argue that capital mobility will consolidate democracies. With it, in non-revolutionary periods, the workers will realize that high taxes will lead to capital flight and lower income. For this reason they will vote a lower tax, it will no longer be in their interests for the elite to stage a coup and the democracy will be consolidated. On the other hand they admit that this will lower the amount of redistribution that a democracy can carry out so that the balance may go either way. They call for an empirical investigation (2006, p. 348). Given the general perception that capital mobility has increased poverty⁶, one would expect a negative verdict, but one should keep an open mind.⁷

The implication for Marxist thought is that capital mobility should not be thought of merely as an obstacle to the imposition of socialism. Rather a more balanced view is called for. On the one hand it may increase poverty, but on the other one might not even have access to the levers of democracy without it.

IV. Hugo Chávez and the Reversal of Opinion

The main characteristic of the work of A&R up to 2006 was that it gave numerous examples of the way a movement to democracy redistributed income from the elite to the citizens. This work was amplified in their prize winning book (2006). Then, without any warning anywhere, the last sentence of the book stated “Thus, democracy will

⁶ See Weyland (2004), Hagopian (1998) and Barr (2005).

⁷ An alternative way of inserting capital mobility into the model, which I favour, is the following: Extend the definition of a coup to include any actions of the elite that lead to a fall of the government. An example would be a capital flight that caused an exchange crisis which led to a fall of the government. With this definition capital mobility, which lowers the cost of this type of coup, would cause previously consolidated democracies to become semi-consolidated. With this interpretation capital mobility has no redeeming virtues. Lula can not solve the poverty problem because Brazil's democracy is only semi-consolidated due to capital mobility.

become more consolidated; however, for those who expect democracy to transform society in the same way as British democracy did in the first half of the twentieth century, it may be a disappointing form of democracy.“! (p. 360). After this, papers began to appear that, fleshing out this insight, explored the many ways that the elite may maintain control of society in spite of there being democracy. Two of these papers are especially relevant for the last 65 years of Venezuelan history. Although they are set out in completely general terms they correspond to the way that Hugo Chávez understands Venezuela. That is, this part of the work of A&R provides an understanding, and even a justification, for Chávez’s Marxist vision of Venezuela and the Marxist policies he is attempting to carry out.

1. The Capture of Democracy

In (2006a) A&R develop the concept of the capture of democracy.

a. The Model

The model is a repeated game. There are two players or classes, the workers and the landed elite. The workers generally work on the land of the elite but there is home production as well which places a lower limit on the wage the elite can pay. There are two labour regimes: repressive where the elite pay the lower limit and competitive where they pay the marginal product, which is generally higher.

Each stage game has two possible states: either democracy or non-democracy. The workers have political power which is random. The elite has political power which is determined non-cooperatively. Each member decides on his investment in class political power with the knowledge of the investment of the others but before the realization of the workers’ power is known. The difference between democracy and non-democracy is that the political power of the workers is higher in the former. In each stage game the class with more political power gets to make two decisions: the labour regime of the present stage game and the state of the following one. If the elite have more political power they will choose a repressive labour regime and non-democracy for the following period, and visa versa for the workers. Thus a sequence of stage games is generated where in each one there is either democracy or non-democracy and either a repressive or competitive labour regime.

One would think that the workers’ chances of winning were greater under democracy, but this is not necessarily so. The authors illustrate this with a version in which, when there is democracy, the extra investment by the elite is just sufficient to counter balance the increase in the workers’ power so that the workers’ chances of

wining are the same in both states. But generally it is the case that the probability that the elite have more power is higher in non-democracy.

The authors then modify the model to introduce the concept of capture. In the modification, as before, the side with most political power can choose the labour regime, but to change the state in the following stage game requires an extra margin of political power. The result of this is that, in democracy, the elite are willing to make a larger investment in the hope of having a sufficient margin to change the electoral regime in the following period. A side effect of this is that the elite are the class with more power with greater frequency. Thus one generally observes democracy with the elite in power and repressive labour conditions. This is what the authors call the capture of democracy.

The authors actually have policy recommendations for avoiding this. First, generally they suggest policies that would raise the power of the workers. If this is raised sufficiently the cost to the elite of the investment in power will be greater than the benefit of winning so they will make no investment, in every period the workers will have more political power and in each period there will be democracy and a competitive labour regime. The second and third suggestions are to be carried out after democracy has been installed and without prior warning. This is because, if the elite foresee these policies, they will raise their investment exactly to avoid them being put in place. These two policies are: first to raise the cost of the elite of investing in political power and, second, to raise the lower limit on the wage. This last is to lower the benefits to the elite of a repressive labour regime and thus make them less willing to invest in political power.

b. A Typical Sequence of Periods

In order to interpret the history of Venezuela in terms of this model, first consider a sequence one might observe. Start with a non-democratic state. There will be a run of periods where the elite are in power and labour conditions are repressive. During this run the elite's investment is low since they only have to contend with a weak opponent. Then a low probability event occurs and the workers come to power. They choose a competitive labour market regime and democracy for next period. In the next period the elite make a large investment in political power in the hope of being able to change the electoral regime. Because of this they will return to power with a high probability.

In addition to this, supposing that the workers follow A&R's advice, during the period that the workers are in power one should observe the following: First, the

political power of workers should be increased. And second, without prior warning, the cost of the elite's investment and the lower limit of the wage should both be raised.

c. Interpretations of the Concepts

The model does not fit Venezuela exactly. Thus a number of interpretations must be made. In the model income comes from agriculture and the two classes are the land owners and the workers. In Venezuela the most important source of income is oil, with a contribution, by some measures of over 20% of GDP between 1994 and 2003 (Nakatani 2008, p. 4). Before the election of Chávez, this revenue was controlled partly by the state and partly by the management of the state oil company, PDVSA. From 1958 to 1994 the state was controlled via the pact of "Punto Fijo" by a tandem of two parties, the AD and the COPEI.⁸ "The essence of the pact was to share power and resources among the pact's signatories and to exclude any challengers," (Wilpert 2007, p. 12)⁹. The second partner, PDVSA, remained largely independent of the state since "the (1976) nationalization of Venezuela's oil industry ... merely transferred ownership of the industry without transferring management or management culture and policies" (p. 89)¹⁰. Thus the main beneficiaries of the oil revenue were the hierarchy of the two political parties and the upper echelons of the oil company. Nakatani (2008, p. 6) summarizes this: "Before the Chávez government, the oil revenue was appropriated almost exclusively by the dominant classes of Venezuela. Part of this revenue was distributed for some privileges of the middle class and a minority of workers, especially those of the PDVSA." Thus the group that consists of the politicians of the AD and the COPEI, the management of the PDVSA, the members of the middle class associated with it and the upper levels of its work force will be taken to correspond to the elite of the model and will be termed the elite in the description of Venezuela. Since the elite contains some workers, the complementary group, in the description of Venezuela, will be termed the citizens.¹¹

With respect to the labour market regimes, the issue in Venezuela is not salaries but the distribution of the oil revenues. Thus a repressive labour regime in the model corresponds to the situation in which the elite receive the oil revenues and the

⁸ A non-"Punto Fijo" candidate won the election in 1994.

⁹ My description of Venezuela depends largely on the works of Gregory Wilpert who is favourably disposed toward Chávez. To reassure the reader a bit it is worth pointing out that Noam Chomsky called his book "deeply informed".

¹⁰ When a page number appears with no reference, it will refer to Wilpert (2007).

¹¹ The definition is not so clean as that of the model since the elite could disappear in the case of a long period of citizen rule. But at least, looking at both the history and the current situation, it is clear who the elite are.

competitive one to that in which the citizens receive them. Since it corresponds to Chávez's intuition, in the description of Venezuela, the former will be termed exploitive (although this stretches the meaning a bit) and the latter socialistic. This is in keeping with the sense of A&R's model since the landlord-worker set up is merely an example while their focus is on how political power determines the distribution of income.

Finally consider the electoral regimes. In the model, non-democracy and democracy correspond to the situation in which the workers have less and more political power. In the description of Venezuela I will term non-democracy as representative democracy and democracy as participatory democracy. This requires considerable justification. In the period of representative democracy 1958-1998, the citizens actually had little political power.

“...representative democracy is the kind of democracy that predominated during the fourth republic, before the 1999 constitution, which meant the exclusion of ordinary citizens and their non-participation in the country's political affairs. Citizens could vote once every five years and other than that they were expected not to get involved in politics. According to this analysis, the consequence was that politicians were free to do as they pleased since no one was looking over their shoulders. This made corruption and the abuse of power almost a necessary consequence of representative democracy (p. 54)¹²

What really requires justification is the notion that the participatory democracy that Chávez is trying to put in place gives the citizens more power. This is especially so since there is the inherent possibility that it will do just the opposite: Generally, throughout his book, Wilpert worries that the Bolivarian movement will fall victim to the Venezuelan tendencies toward patronage and clientelism. In particular he fears that even the communal councils, the most promising part of the participatory structure, could be compromised.

The reason, though, this (the strengthening of twenty first century socialism) is still only a potential and not completely fulfilled is because one of the key issues about the communal councils has still not been resolved, which is the danger of patronage-clientelism. That is, as long as there is not impartial appeals process or other assurance that the councils' funding does not go

¹² Although I think this is correct, the opinion is not unanimous. For example A&R (2001, p. 592) consider Venezuela to be a consolidated democracy.

only to pro-government councils, there is a very real and serious danger that patronage-clientelist structures will be recreated, whereby government benefits are exchanged for political support (p.232).

For this reason I do not think that it can be claimed that the citizens are certain to have more power.

Rather, my justification is that this is Chávez's aim. Very briefly Chávez extended the rights of the citizens in the following ways: They may organise referendums whose results are binding on the government; they may organise local and communal councils which are a form of direct democracy; they may audit the accounts of the government; and finally they may be involved in the appointment of government officials (pp. 53-67). Wilpert ends his chapter on governance policy with "Chavez plans ...to further "strengthen and create institutional mechanisms that privilege popular participation"" (p. 67). It may be that Chávez fails and Venezuela either becomes a left wing dictatorship or relapses into being a right wing dominated representative democracy. But in order to understand the developments in Venezuela in terms of the model it is sufficient that Chávez trying to give more political power to the citizens and the elite fear that he will succeed.

To summarize, these interpretations imply that Venezuela has passed through the following periods in terms of the model: elite rule and then democracy with high elite investment. If the elite manage to return to power and are unable to destroy the participatory structure, then Venezuela will become a captured democracy.¹³

d. The Events in Terms of the Model

With these interpretations in place, now consider how the events of the last half century in Venezuela correspond to the hypothetical sequence that the model produces. From 1958 to 1998 there was elite rule maintained via representative democracy. Then in 1998 a low probability event occurred and Chávez won the election. One can think

¹³ Actually my interpretation makes the model follow the facts to a much greater extent than it does in the interpretations given by A&R. They portray many Latin American countries as captured democracies. According to the model, the elites should be making large investments in the hope of returning the system to elite rule. A&R (2006a) devote pp. 50-53 to examples of capture from Latin America. There is not the slightest indication of a hope of returning to elite rule. Rather what one sees is a large investment when there is a danger of a movement to the left as in Columbia in the 1980's when the Unión Patriótica suffered "the systematic murder of its candidates." (p. 52). It fits better to consider these countries as having elite rule since then the examples of a movement to left calling forth a large investment in hope of a return to the status quo anti abound: Cuba, with the bay of pigs and the Miami Cubans; Nicaragua, with the contras; Chile, with the middle class disturbances and, as described below, Venezuela. However it must be admitted that, with this interpretation, examples of captured democracies are rare. As noted above, Venezuela would be a captured democracy if the right came to power but could not change the participatory structure.

of this as the citizens having more political power. Regarding the activities of the workers, one should observe a change in the labour market conditions and in the electoral rules. With respect to the former, Chávez managed to rest control of the state oil company from the elite and then used the revenue to finance the missions which, in all cases, were designed to benefit the citizens (pp. 87-100 and pp. 120-149). With respect to the latter, Chávez made two types of changes. First there were those that maintained the representative democracy and, like the one which lengthened the president's term, actually strengthened the position of the leader (p, 41). But second there was the implantation of the institutions of participatory democracy, for example the creation of local councils and communal councils. This was a transfer power from the officials of representative democracy to institutions that correspond to a more direct control by the citizens. If one interprets the first type of changes as strengthening Chávez, not against the citizens, but against the opposition, then one observes the citizens acting in accordance with the model.

With respect to the elite, one expects to see a large increase in the investment in political power. Here the prediction of the model is fulfilled "con creces". In the period of representative democracy the electoral expenses of the two elite parties were financed by the government while this was denied to the other parties (p. 74). The expenditure was sufficient to maintain them in power. After Chávez's election, the expenditure increased enormously. They staged a general strike in 2001, a failed coup in 2002, an oil strike in 2002-3, a referendum on the recall of Chávez in 2004, fought a strong campaign against his re-election in 2006 and finally in 2008 defeated his attempt to reform the constitution of 1999 (pp. 18-28). The cost of this investment in political power was huge, especially in 2001-2003 when poverty increased from 39% to 54% of the population (p. 141).

Finally A&R make policy suggestions aimed at avoiding elite control. One can see that some of Chávez's policies correspond to their suggestions. Its almost as if Chávez had hired Acemoglu and Robinson as advisors. The first suggestion is that changes should be made that raise the power of the workers in democracy. The following interpretation shows Chávez doing exactly this. His initial project for participatory democracy had local planning councils that increased the political power of the citizens. For this interpretation, suppose these were the norm for participatory democracy. These councils had certain weaknesses that caused them to be relatively ineffective. In

response to this, the communal councils were created that remedied the weaknesses and gave the citizens more power (pp. 56-60).

The second and third suggestions are to be carried out after the change to democracy and without previous warning. This condition is fulfilled since the investment of the elite pre the 1998 election would have been much larger if they could have foreseen what was coming. The first suggestion is that the cost for the elite of political power be raised. There are many examples of this, perhaps the clearest is the refusal to renew the licence of one of the elite's main TV stations (pp. 223-6). The second suggestion is that the lower limit of the wage be raised. An example of this is Chávez's land redistribution program. At this point the correspondence between the model and the reality is exact. This will raise the income of the peasants and make their exploitation by the landlords more difficult (pp. 110-115).

Thus Chávez's decision to implant participatory democracy, the opposition's reactions and his anti-elite policies all correspond to the basic lines of A&R's capture model.

2. Civilian-Military Unity

There is a second paper this time by Acemoglu and other co-authors, Acemoglu et al. (2008), which is closely related to a particular and somewhat unusual policy of Chávez. Early in his career, long before he was president, an important part of his thinking was to create civilian-military unity. The reason was that he thought that the elite could use the military to suppress the citizens because it was isolated from them. Their unification with the citizens would make this difficult (p. 16). A& R have also dealt with this theme. In most papers on the topic, and also A&R's earlier papers, the elite and the military have been treated as a single individual. In their most recent paper, with a considerable innovation, Acemoglu and his co-authors have characterized the military as a separate player. The views of Chávez and of Acemoglu and his co-authors on this theme are surprisingly similar.

a. The Military Model

The model is a repeated game. There are three players: the elite, the military and, this time, the citizens. There are also four states: elite rule, democracy, military dictatorship and transitory democracy. The state of the game in the first period is elite rule. The elite choose either to mount an army or not. If they do not, there is no repression and in the next period there is a smooth transition to democracy. If they do, they must decide on a wage. The army is drawn from the citizens and the wage is

higher than that of the citizens and sufficiently high so that the army will not attempt to establish a military dictatorship via a coup against the elite rule. Once established, the army will try to repress any attempt to move to a democracy. This repression is only successful with a certain probability. If it is successful, the next period is a repeat of elite rule. If it fails, the next period is transitory democracy, that is, a period in which the military and the democratic regime coexist. If democracy survives to the third period, the military will be disbanded since it's only function is to repress the citizens. The army has the capability of staging a coup and also the economic incentive since when disbanded the salaries of the former soldiers will descend to the level of the citizens. The citizens decide to either payoff the army or not. In the first case there will be no coup and in the next period the army will be disbanded. In the second case there will be a coup attempt which succeeds with a certain probability. If it succeeds, there will be a military dictatorship while if it fails, there will be democracy and the army will be disbanded.

In this case the authors make no policy recommendations. But they do note that the existence of a foreign threat is helpful since it gives a second rational for the army, defence. Thus the army will not be completely disbanded under democracy and this reduces the bribe that the democracy has to pay to avoid a coup attempt.

b. The Citizen-Military Events in Venezuela

This section uses the interpretations of the previous section. The history of military intervention is as follows. Previous to 1948, there was representative democracy, a military coup in 1948 and then representative democracy was re-established in 1958. This endured until 1998 when the system was changed to participatory democracy (according to my interpretation). The first 20 years of this 40 year period were prosperous because of the high oil prices, the second 20 years were ones of increasing difficulty again because of the behaviour of oil prices. There was only one military intervention during this whole period. In 1989 the president, Carlos Andres Pérez was forced to ask for IMF aid which he received in return for implementing the typical package of neo-liberal measures. There was rioting throughout the country, the "Caracazo". This was repressed by the army with over 300 deaths (pp. 9-14 and 16-17). Thus one can consider this period one of elite rule where the military was created and used for repression . But first, it can hardly be said that the army was frequently used in this role and second, Chávez's policy of uniting the civilians and the military

dates from before the “Caracazo” (pp. 15-16). Thus the origins of Chávez’s policy are a bit mysterious.

When Chávez came to power he put his policy of unification immediately into practice. This had two aspects. First the involvement of the military in civilian life. 26% of the ministers were officers or retired officers and, after the elections of 2000, 41% of the pro-Chávez governors came from this group. In addition to this, the army ran some of the welfare programs. The second aspect was the involvement of civilians in military life. Chávez created a reserve force of two million reservists. One of the reasons was to make an invasion by the US more difficult (pp. 49-53).

The coup attempt occurred in April of 2000 and came close to succeeding. It involved about 20% of the military high command (Harnecker 2003, p.192). What seems to have happened was that a clash between pro and anti-Chávez supporters was organized and then manipulated to make it appear that Chávez had ordered his troops to fire on the demonstrators. This, in turn, was used to convince the non-involved military not to support Chávez. At the same time, Chávez was held incommunicado and the head of the chamber of commerce, Pedro Carmona, declared himself president of a transitional government with the support of the part of the military behind the coup. This plan worked initially, but then failed as first, huge popular support for Chávez appeared in the streets and then, the army units, influenced partly by this and partly by Carmona’s high handed methods, refused to give support to the transitional government (Rain, Arvelaiz and Ponceleon 2003).

What were the motives of the part of the military that had staged the coup? Chávez talked to them in depth, one by one. Generally he thought that there were three types of motives: First, there were those who were opposed to the leftist trend of Chávez’s policies such as the movement toward communism, the aid for the Columbian guerrillas, the popular militias and a tendency to weaken the armed forces. But the last two motives were more personal. The first there were those who were expecting promotion and were passed over when Chávez assumed control of the promotions. Second there were those in positions of power who had used these to enrich themselves and then had lost them (Harnecker 2003, pp. 190-191). In both cases the basic motive was personal and economic.

c. The Relation of the Model to Venezuelan History

The relation is fairly close. First the elite government during the period of representative government did use the military to repress the citizens although this was

more of an incident than habitual behaviour. Second, during the period that Chávez was elected, according to the model, the army could choose to repress or not and, if the repression failed, there would be a transitional democracy in which both the military and the political power of the citizens existed. To fit the events one can say the repression failed. In fact there was an attempt to organize a coup, but the attempt at its organization failed (Hannecker 2003, p. 192).

Third, according to the model, the citizens should either payoff the army or run the risk of a coup attempt. In addition there is the possibility of using an external threat to give the army a new role so that it will not be disbanded. Chávez's policies come close to this but the fit is not exact. First, his involvement of the military in the civilian government can be interpreted as a payoff. But it is really a combination of this with giving the army a role that will permit its existence during the participatory democracy. This role was not envisioned by the Acemoglu and his co-authors. Second, the creation of the militias does not fit the model at all. If anything Chávez should have used the external threat of the US to enlarge the army. His creation of the militias was perhaps valid since it created the possibility of an "asymmetric war" (p. 51). But according to the model, it would raise the payoff to the army and, in reality, it was one of the motives of the coup.

Finally, the motives for the coup are exactly those predicted by the model. Some those who staged the coup believed that Chávez was intent on weakening the army, which is close to the fear that the army will be disbanded. For others the motives were exactly those of the model. They feared that their salaries would be reduced to the level of the citizens'.

Thus once again there is a close correspondence between the military model and the events. Chávez's creation of the militias does not fit well, but the model does predict that this would be a motive for the coup. But for the rest, the use of the military by the elite for repression, the giving of a government role to the military partly as a form of payoff and the motives of the organizers of the coup attempt, they all fit closely with the model.

3. The Implications for Marxist Thought

First consider the implications of the military model. This shows that the coup problem described in Section III is both more complicated than it appeared and susceptible to an additional solution. In Section III the only defence against a coup was to payoff the elite which was impossible if the wealth distribution was too unequal. In

this section it is the military, created for repression that must be paid off. This payoff does not depend on the distribution of wealth and thus opens other opportunities of avoiding a coup regardless of how unequally wealth is distributed. Chávez's policy of bringing the military strongly into the government, which actually is a combination of a payoff and a role, accomplishes this. One can not help wondering whether the history of Chile would have been different if Alende had, from the beginning, made the military an important part of his government. In any case, the implication for Marxist policy is that, rather than regarding the military as an automatic ally of the elite, every attempt should be made to make it a partner of the citizens.

Turning to the implications of the capture model, essentially it implies that Marx's strategy must be modified. Marx's plan of using democracy to force socialism and fighting the illegal response of the elite or, for that matter, A&R's plan of using it to redistribute and trying to avoid a coup, may no longer work since democracy can not be counted on to play its role. This is because the elite may be able to control democracy, at least in its representative form. The implication for Marxist strategy is that some other form of democracy, or more generally some other mechanism, must be found with which the citizens may control the country. In this Chávez is exemplary, not because he has discovered a way to do this, but rather because he understands the problem and is, at least, searching for a solution.¹⁴

V. Conclusion

The central issue in the work of A&R is the question of whether democracy is capable of counteracting the capitalistic tendency toward inequality and mass poverty. The Marxist position, almost by definition, is that socialism is the solution to these twin evils. The position of A&R about democracy is more nuanced. They find it worked well in 19th century Europe but that something seems to have changed and it can no longer be counted on as a solution.

What are the implications for Marxist thought? Basically that democracy should at least be taken seriously since it worked in 19th century Europe. If this is accepted then toward what type of strategy does A&R's work point? It indicates that Marxists should shift their efforts from trying to bring about socialism to the twin tasks of discovering a

¹⁴ Looking at Cuba from this angle, one sees Castro struggling to find a form of government which is both immune from elite dominance and sensitive to the wishes of the citizens and, at the same time, one observes the international community essentially calling for the restoration of elite rule.

form of democracy that is immune to elite dominance and, at the same time, fighting to put it into place. If they could succeed in this, the two dangers of coups and capture would still remain, but at least there are weapons against these. If democracy could be thus modified and the anti coup and anti capture weapons used to good effect then, just as in 19th century Europe, mass poverty could be alleviated without the problematic recourse to socialism.

If Marxists followed this path, it would seem an important part of their identity would be lost. But first, the project of modifying democracy is so huge and so important that it is a goal worthy of commitment. And second, this task corresponds closely to the actual work that Marx did. Rather than constructing socialist projects, a la Robert Owen, Marx spent his life in the thick of political battles attempting to bring about changes in the way capitalist democracies were run. Nimitz (1999) called Marx and Engels “The Unsung Heroes of the Democratic Breakthrough.” It should not be hard to think of oneself as a Marxist when one is carrying on this work.

References

- Acemoglu, Daron and James Robinson. 2000. “Why did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective”. *The Quarterly Journal of Economics*, (November) 1167-1199.
- Acemoglu, Daron and James Robinson. 2000a. “Inequality, Growth and Development, Democratization or Repression?” *European Economic Review*, 44 683-693.
- Acemoglu, Daron and James Robinson. 2001. “A Theory of Economic Transitions.” *The American Economic Review*, 91:4 938-963.
- Acemoglu, Daron and James Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge: Cambridge University Press.
- Acemoglu, Daron and James Robinson. 2006a. “Persistence of Power, Elites and Institutions.” National Bureau of Economic Research, Working Paper 12108. <http://www.nber.org/papers/w12108>. Forthcoming in the AER.
- Acemoglu, Daron, Davide Ticchi and Andrea Vindigni. 2008. “A Theory of Military Dictatorships.” Typescript available at <http://econ-www.mit.edu/files/2862>.
- Barr, Robert R. 2005. “Bolivia: Another Uncompleted Revolution”. *Latin American Politics and Society*, 47 69-90.
- Castañeda, Jorge. “Realism for Latin America: Finding and Achieving the Possible.” *Science and Society*, 69:2 (April) 138-142.
- Ellner, Steve. 2004. “Leftist Goals and the Debate over Anti-Neoliberal Strategy in Latin America.” *Science and Society*, 68:1 (Spring) 10-32.
- Ellner, Steve. 2005. “Revolutionary and Non-revolutionary Paths of Radical Populism: Directions of the *Chavista* Movement in Venezuela.” *Science and Society*, 69:2 (April) 160-190.
- Feinstein, Charles H.. (1999). “Pessimism Perpetuated: Real Wages and the Standard of Living in Britain during and after the Industrial Revolution,” *The Journal of Economic History* 58, 625-657.

- Galor, Oded and Omer Moav. 2006. "Das Human Capital: A Theory of the Demise of the Class Structure." *The Review of Economic Studies* (January) 73 85-117.
- Hagopian, Frances. 1998. "Democracy and Political Representation in Latin America in the 1990s: Pause, Reorganization, or Decline?" in Felipe Agüero and Jeffery Stark, Eds. *Fault Lines of Democracy in Post-Transition Latin America*. Miami: The North-South Center Press, 99-144.
- Harnecker, Marta. 2003. "Lessons of the April Coup." In Wilpert (2003), pp. 185-208.
- Harnecker, Marta. 2005. "On Leftist Strategy." *Science and Society*, 69:2 (April) 142-152.
- Hohls, Rüdiger. 1995. "The Sectoral Structure of Earnings in Germany, 1885-1990". In P. Scholliers and V. Zamagni, Eds., *Labour's Reward*. Aldershot: Edward Elgar, 37-60.
- Howard, M. C. and J. E. King. 2001. "Where Marx was Right: Towards a more Secure Foundation for Heterodox Economics." *Cambridge Journal of Economics*, 25 785-807.
- Justman, Moshe and Mark Gradstein. 1999. "The Industrial Revolution, Political Transition, and the Subsequent Decline in Inequality in 19th Century Britain." *Explorations in Economic History*, 36 109-127.
- Main, Alex, Maximilien Arvelaiz and Temir Porras Ponceleon. 2003. "Virtual Reality, Real Coup." In Wilpert (2003), pp. 61-68.
- Marx, K. and Frederick Engels. *Collected Works*, various volumes. London: Lawrence & Wishart.
- Nakatani, Paulo and Rémy Herrera. 2008. "Structural Changes and Planning of the Economy in Revolutionary Venezuela." Typescript available on request from paulonakatani@gmail.com.
- Nimtz, August. 1999. "Marx and Engels-The Unsung heroes of the Democratic Breakthrough." *Science and Society*, 63:2 (Summer) 203-231.
- Petith, Howard. 2007. "The Rise of Democracy in Europe and the Fight Against Mass Poverty in Latin America: The Implications for Marxist Thought of Some Recent Mainstream Papers." UFAE and IEA working paper 684.07, available at <http://econpapers.repec.org/paper/aubautbar/>.
- Petras, James. 2005. "Latin American Strategies: Class-Based Direct Action Versus Populist Electoral Politics." *Science and Society*, 69:2 (April) 152-159.
- Weyland, Kurt . 2004. "Neoliberalism and Democracy in Latin America." *Latin American Politics and Society*, 46 135-57.
- Wilpert, Gregory. 2007. *Changing Venezuela by Taking Power*. London: Verso.
- Wilpert, Gregory Ed., 2003. *The Coup Against Chávez*. Caracas: Instituto Municipal de Publicaciones de la Alcaldía de Caracas. Available at www.venezuelanalysis.com.