

# **Cooperatives and the “Bolivarian Revolution” in Venezuela**

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## **Abstract**

This article looks at the vibrant cooperative movement within the context of the “Bolivarian Revolution” in Venezuela. While the cooperatives represent one of the most encouraging signs of radical democratic potential in Venezuela, there are conflicting trajectories within the country that make the future of the “Bolivarian Revolution” unclear. This paper argues that the cooperative movement can only be sustainable and transformative of Venezuelan capitalism if it is integrated into a larger project of economic democracy.

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## **Introduction**

For many progressives, Venezuela is the most exciting place in the world at the moment. Since Chávez was elected into office a decade ago the country has witnessed enormous changes. Poverty and inequality have dramatically dropped; health, literacy, educational attainment, and other social indicators have consistently improved. Unemployment is down and GDP is up. This all reflects the deeper tectonic shifts that are changing the political landscape in Venezuela. The country has made a swift U-turn from the neoliberal policies of the 1990s and is currently moving in an entirely different direction under the slightly nebulous banner of “21<sup>st</sup> Century Socialism.”

One of the most intriguing aspects of the Venezuelan political process is the emergence of various forms of new democratic structures and institutions. A main focus of this essay is the emergence of a movement of democratic workplaces in the form of workers' cooperatives that is growing in leaps and bounds. In addition to cooperatives, there are experiments with workers' control of state-owned enterprises, as well as experiments with participatory budgeting. Democracy is also flourishing at the community level through the emergence of new forms of local, participatory government, primarily Communal Councils.

The democratic elements of the so-called “Bolivarian revolution” are, however, only one side of the story. Like every example of a country in extreme political turmoil, there are diverging trajectories, conflicts and oppositions. Crime in the capital Caracas is notoriously bad and worsening,<sup>2</sup> state control of the economy is growing,<sup>3</sup> advocates of workers' control complain of state

sabotage,<sup>4</sup> opposition media have been shut down,<sup>5</sup> and political power is heavily centralized with Chávez, whom opponents denounce as tyrannical and authoritarian. Chávez himself is a complex and enigmatic figure. He calls himself a socialist but not a Marxist.<sup>6</sup> He claims to be inspired both by Jesus and by Che. He sees himself a democrat as well as a friend of Castro. He is a military leader who is head of state, yet he also hugely funds and politically supports grassroots movements. He vociferously defends the constitution (which he helped pass) yet he amends it to stay in power longer.

At present, the cooperative movement in Venezuela is one part of a haphazard agenda of social reform. Not haphazard in the sense of being random or irrational, but in the sense that one can clearly detect divergent, and even contradictory, tendencies within the “Bolivarian Revolution.” On the one hand, there are clearly aspects of the movement that could be called “democratic socialist” or anarchistic in that they represent a strong bottom-up democratic impulse. On the other hand, there are also aspects that are top-down, state-directed and authoritarian. Part of the problem is that the ideology of the “Bolivarian Revolution”--so-called “21<sup>st</sup> Century Socialism”--is incredibly vague. The term seems to imply a break, if not a repudiation of 20<sup>th</sup> century state-socialism, but the degree to which Chávez envisions Venezuelan socialism as distinct from, say, Cuban socialism, remains largely unclear.

The dynamic cooperative movement is one of the most exciting political-economic developments in Venezuela because it represents a clear break from capitalistic production practices. Instead of workers renting their labour to an owner in exchange for a wage, Venezuelan workers are increasingly acquiring *economic enfranchisement*--a direct say in the direction and organization of their firm, and thereby an increasing capacity to control their own lives. Hierarchy and subservience at work are being replaced, to some degree at least, with democracy and popular sovereignty. However, given the current context, the long-term significance and transformative potential of the cooperative movement is difficult to ascertain.

The thesis of this paper is that if the workers' cooperative movement in Venezuela is to be sustainable, as well as instrumental in transforming Venezuelan society in an anti-authoritarian socialist direction, it needs to be integrated into a larger project of economic democracy. There are two reasons for this. Partly because cooperatives require a broader infrastructure of economic democracy in order to flourish, and secondly, because the reasons that one would care about workplace democracy in the first place are reasons that motivate democratization throughout the broader economy. Transforming Venezuelan capitalism tomorrow, I shall argue, requires a sturdy basis of economic democracy today.

## The Venezuelan context

The Venezuelan trajectory changed course dramatically in December 1998 when Hugo Chávez was elected president. In 1999 a constitutional assembly was established with broad grassroots involvement that resulted in drafting one of the world's most progressive constitutions--eventually ratified with 72% voting in its favor. The first several years of Chávez's government saw a dramatic reversal of neoliberal policies, and an explosion of anti-poverty and social programs funded largely by the nation's substantial oil wealth.<sup>7</sup> The years 2002-2004 witnessed an attempted coup against Chávez, an oil strike, and a recall referendum, all of which Chávez managed to resist due to mass popular support among the citizenry and within the army; indeed, from 1998 to 2006 Chávez won ten elections and referenda with majorities from 56-86%.<sup>8</sup> Since 2006 Chávez has been calling for a move towards "21<sup>st</sup> century socialism" and a deepening of the democratic and participatory elements that had been developing across Venezuela for the last several years. In 2007 he lost a referendum to amend the constitution to abolish presidential term limits, however a similar referendum was passed in February 2009.

Since Chávez acquired control over the state oil company PDVSA in early 2003, the economy has grown massively. Real GDP grew by 94.7% over 5.25 years, or 13.5% annually. By any historical or international comparison, this is extremely rapid growth. Importantly, most of the growth has occurred in the non-oil private sector. Unemployment has dropped from 11.3% to 7.8%. In the 10 years that Chávez has been in power, the percentage of households in poverty has been reduced by 39% (from 42.8 to 26%). Extreme poverty fell by over half, from 16.6% to seven percent. In addition, inequality has significantly decreased--the Gini index has dropped by almost six points, from 46.96 to 40.99. (Interestingly, this is almost the exact opposite of the worsening of US inequality during the neoliberal era, 1980-2005, where the Gini went from 40.3 to 46.9.) Infant mortality has dropped by one-third. Educational enrollment has increased at all levels. And the number of primary care physicians has skyrocketed from 1,628 to 19,571.<sup>9</sup>

In the first several years of Chávez's administration the political and economic reforms were mainly social-democratic in nature. They involved ceasing privatizations, a few nationalizations, and increased social spending. Oil wealth, which had previously enriched a small elite, came to be spent more broadly on public programs and social security. The political process was basically liberal and constitutional, and the economy was mildly regulated capitalism, marked by the typical authoritarian relations of production, private control of investment, and severe inequality of ownership.

Since his reelection in 2006, however, Chávez has been more vocal about moving beyond social democratic capitalism to a socialist society. At the World

Social Forum he declared that “[w]e must reclaim socialism as a thesis, a project and a path, but a new type of socialism, a humanist one that puts humans, not machines or the state, ahead of everything. That is the debate we need to promote around the world”.<sup>10</sup>

Yet what does “21<sup>st</sup> Century Socialism” actually mean? Probably the best way to get beyond the rhetoric is to look at the concrete political and economic changes that are taking place. It’s immediately obvious that the changes are haphazard and somewhat inconsistent. On the one hand there are a series of reforms that seem to imply that 21<sup>st</sup> Century Socialism is about participatory, bottom-up, democratic socialism, involving the profound democratization of the political sphere, and, fundamentally, the democratization of the *economic sphere*. On the other hand, certain aspects of change are top-down, state controlled, and seem much closer to the authoritarian state-socialism of the 20<sup>th</sup> century.

Consider first the democratic socialist trends. First and foremost is the spectacular growth of the cooperative movement. Although Venezuela has a variety of different types of cooperatives (worker, consumer, etc), the focus here is on workers’ cooperatives, which have largely come to define the economic model of the Bolivarian Revolution.<sup>11</sup> In 1998, there were fewer than 800 legally registered cooperatives in Venezuela with roughly 20,000 members—a similar number to the US. By mid-2006, however, the National Superintendence of Cooperatives (SUNACCOOP) reported that it had registered over 100,000 coops with over 1.5 million members.<sup>12</sup> By some accounts cooperatives now constitute 18% of the entire workforce.<sup>13</sup> The government has been actively facilitating the creation of new worker coops by providing cheap credit, preferential purchasing, and technical support.<sup>14</sup> For instance, the Vuelvan Caras Mission graduated 260,000 students in 2005 with training in various technical, managerial, citizenship and cooperative studies. The students were encouraged to form cooperatives, and nearly 70 percent did, resulting in 7,600 new cooperative businesses.<sup>15</sup> This is a prime example of the state providing the infrastructure for workplace democracy, without actually controlling the workplaces themselves. State help has been instrumental in facilitating the expansion of the cooperatives across the economy, without compromising the independence of the firms.

The expansion of cooperatives is an important step in the direction of democratic socialism,<sup>16</sup> and Venezuela is presently home to the most vibrant cooperative movement in the world. Democratic workplaces are vital for increasing the everyday freedom of working people. An expansion of cooperatives represents an expansion of freedom in two senses—it increases freedom for workers from the (potentially) arbitrary power, coercion and bullying of those in authority, such as bosses or managers. This is the sense of freedom as

equality (not being told what to do by superiors) and unfreedom as subservience.<sup>17</sup> Secondly, workplace democracy means freedom in the sense of self-determination or sovereignty, the lack of which is unfreedom in the sense of helplessness or incapacity to collectively decide the direction of the firm.<sup>18</sup> This notion of freedom as encompassing a democratic voice is a decisive advance over liberal understandings of freedom, which usually mean only the freedom to exit and the freedom to attempt to negotiate a fair contract. Such freedoms are not unimportant, but they ignore the importance of freedom *in* the workplace itself. Workplaces are communities of central importance to people's lives, and so it doesn't make sense to think of freedom simply as capacity to *exit* them. Instead freedom must be conceptualized as self-determination *in* community. It is particularly this recognition of the communal dimension of freedom that is currently being institutionalized through workplace democracy.

Of course, in the real world, things are not this straightforward. The degree to which cooperatives really do translate into genuine workplace democracy depends on a number of factors. On the one hand, there is the question of the formal structures of democratic governance within the co-op (such as joint ownership, a guarantee of equal decision-making power, access to information, etc.), and in addition there are informal but substantive factors of participation--does everyone, particularly the lower skilled and women, actually participate? Is there skill sharing? Is there collective monitoring of each other to prevent free riding? Are there opportunities for workers to learn the skills necessary to manage? In a recent study Harnecker presents limited but encouraging evidence to show that many Venezuelan cooperatives do seem to foster genuine workplace democracy.<sup>19</sup> However, access to information, and relative lack of participation of the less-skilled and less-educated, were notable concerns. The study emphasizes the importance of state-provided training centres like Vuelvan Caras in helping workers develop both the technical ability and the desire to participate more fully in managing their own firms.

Alongside cooperatives, the second major development in a democratic socialist direction is the Communal Councils. In April of 2006, the government passed "The Special Law on Communal Councils" that empowered local citizens to form neighborhood-based elected councils, and administer local projects and community development. Article 1 of the Law reads as follows:

Within the framework of a participative and protagonist democracy, the Communal Councils represent the means through which the organized masses can take over the direct administration of the policies and projects which are created to respond to the needs and aspirations of the communities<sup>20</sup>

Within the councils, jurisdiction is limited to a geographical area of between 200-400 families (down to 20 families in rural areas, and 10 families in indigenous areas). Decisions within the councils are passed by majority vote in a direct democratic fashion.<sup>21</sup> The councils are autonomous, though they often coordinate with municipal government, and receive funding from different government levels. Since their inauguration, the Councils have been immensely successful. They are hugely popular among the citizenry, particularly in poorer areas and the *barrios* (urban neighbourhoods), and have grown dramatically in number. There are now over 16,000 Councils.<sup>22</sup> Like every new aspect of democracy in Venezuela, the success of the Communal Councils has been facilitated (but not controlled) by the state; in 2006, for instance, they received over half a billion dollars out of a total national budget of only \$53 billion.<sup>23</sup>

The cooperatives and the Communal Councils are the strongest examples of grassroots empowerment taking place in Venezuela. But there are other, more marginal experiments happening as well. Certain cities have had experiments with participatory budgeting, though nowhere as successful as the attempts in Porto Alegre, Brazil. In addition, various strategic companies such as the electricity company CADAFE and the aluminum production plant ALCASA, are being run by co-management (*co-gestión*) whereby the firm management is derived 51% from the state and 49% from the elected workers of that enterprise. Although their workers do not directly control these firms, they can still be seen as democratic in the sense of being accountable to the affected community, which in the case of strategically important firms is not simply the immediate workers but the nation as a whole.<sup>24</sup> Co-management is thus an attempt to balance national strategic concerns with workers' empowerment.

Mention should also be made of the Missions. Beginning in 2003, the government generously funded various social welfare programs (*Misiones*) that are organized through mass participation at the grassroots level. The Missions deserve much of the credit for the improved social welfare of average Venezuelans. Perhaps the most ambitious experiment concerns the Social Production Enterprises (*Empresas de Producción Social* or EPS's). EPS's are cooperatives that commit to transform their production practices to transcend usual market practices by producing in dialogue with the Communal Councils in an interlocking, democratic fashion aimed at mutuality "over the values of profitability or gain".<sup>25</sup> The government is facilitating the creation of EPS's by allowing registered EPS's to qualify for preferential treatment from the state (accessing low-interest credit, gaining state contracts, etc.).

There are, however, a number of aspects of the changes in Venezuela that appear anti-democratic, and at least potentially authoritarian, in that they are top-down and show the creeping expansion of state control.

In my estimation, the biggest internal threat facing Venezuela's democracy is the over-involvement of the state.<sup>26</sup> (This is, of course, not to mention the constant external threat from the US and Colombia.<sup>27</sup>) The biggest worry is that the democratic institutions--the cooperatives, the co-managed firms, and the Communal Councils--will get centralized and co-opted by the state. Such centralization undercuts democracy at the grassroots, concentrates power at the top, and starts to resemble the authoritarian Soviet-style socialism of last century. Trends of centralization can presently be detected from Chávez, and to some degree within broader political and economic areas of society.

Some of the strongest centralizing forces in Venezuela occur because of Chávez himself. As a vastly charismatic leader he has been able to unify the left, which has historically been fragmented. However, such a unifying force has developed concurrently with a Chávez personality cult. It is not rare to hear Chavistas say things like "he who is against Chávez, is against the revolution." Unity always brings with it the risk of homogeneity. And to a large degree the movement has come to be defined by Chávez himself, and not by his (and other people's) ideas. Steve Ellner, for instance, has pointed to the insufficient avenues of internal dissent within Chávez's political party the PSUV.<sup>28</sup> For the movement to survive past Chávez's tenure, it will need to be able to unify people around core *ideas*--hopefully (from my perspective) ideas of economic democracy and democratic socialism--instead of around a sole personality. A state that is seriously attempting to institute profound forms of freedom needs to remember Rosa Luxemburg's famous words that "freedom is always and exclusively freedom for the one who thinks differently".<sup>29</sup>

Politically, the attempt at Constitutional Reform in 2007 was to a certain degree an example of undemocratic centralization. Although there were elements that seemed to point towards a decentralized democracy, such as mandating the state to continue funding the Communal Councils, the changes were profound enough to require a Constituent Assembly, as in 1999, to be really legitimate. Yet only two months were allowed for popular discussion of the reforms, and they had to be voted on in bloc, which had the predictable result of turning the debate into one of for-or-against Chávez, instead of the more useful debate about specific reforms and what "21<sup>st</sup> century socialism" should really mean. Instead of generating mass debate from the grassroots about the future of Venezuelan society, the reforms were decided on from above and rushed through with the inclusion of some things--like the abolition of presidential term limits--that even Chávez supporters seemed hard pressed to justify in the name of Venezuelan democracy.<sup>30</sup>

Further evidence of centralizing political authority is the recent centralization of the nation's ports and airports, which were previously under local state authority.<sup>31</sup> There has also been a sizable, and immensely exaggerated furor in

North American media about the closing of the RCTV news station. Although often portrayed in a draconian light, there is very little evidence that the state is trying to eradicate free speech.<sup>32</sup>

Economically, the threat of centralization is the threat of nationalization, and co-optation of the co-managed firms. Since Chávez's reelection in 2006, he has nationalized joint venture oil production projects, the largest steel plant, the third largest bank, and the cement, telecommunications, and electricity industries. 2009 saw nationalizations of several more gas, steel, and iron companies, which Chávez justifies as being necessary for building a "socialist industrial complex".<sup>33</sup> However, at this stage it seems clear that there is no desire to totally nationalize the "commanding heights" of the economy. Nationalization is used more as a threat to uncooperative business, than it is an active economic policy.

In addition, there are worrying signs that the movement for co-management has stalled. In 2005 the largest union, the National Union of Workers (UNT) had a million people marching under the banner "Co-management is revolution." The UNT was demanding that the 800 closed factories across the country be bought by the government and handed over to workers' control. Three years later, however, the UNT is in disarray, only a handful of factories have been taken over, and even where co-management is in place workers have complained of bureaucratic stalling and state sabotage.<sup>34</sup> Although Chávez himself tends to support workers' control, at least publicly, several of the more radical, autonomist unions--such as FRETECO (the Revolutionary Front of Workers in Co-managed Factories) and C-CURA (United Revolutionary Autonomous Class Current)--have been increasingly critical of the government's lack of progress in terms of co-management.<sup>35</sup>

The bottom line is that political change in Venezuela is a haphazard affair.<sup>36</sup> The "Bolivarian Revolution" contains both bottom-up democratizing elements, as well as top-down, centralizing ones. Probably the most important lesson that can be gleaned from the political changes so far is the importance of *state facilitation*. The democratic aspects of the movement that are flourishing--particularly the cooperatives and the Communal Councils--have not done so on their own. There is a belief among certain autonomists and anarchists that all that is required for movements to grow is the state to back off; that the fact of autonomy is sufficient for movements to flourish, like daffodils that will suddenly and spontaneously bloom with the departure of the clouds of state. In fact, the successes of the "Bolivarian Revolution" to date have been due to the successful intermingling and mutual support of the state and grassroots movements. State facilitation has provided the funds, the technical support, the legal apparatus, and the ideological encouragement for democratic movements to grow. Indeed, it is impossible to imagine that 100,000 cooperatives and 16,000 Communal Councils would have independently



sprung up by themselves had they not had tremendous help from the state. Yet the state has, for the most part, refrained from taking over, or controlling these democratic movements. This too is unusual, given that the history of socialism shows the proclivity of the state to constantly expand its influence. Rudolf Rocker's warning that those who try to conquer the state end up by finding the state has conquered them, has often been prescient in this regard.<sup>37</sup>

So far, however, the state in Venezuela has managed (for the most part) to play a role of facilitator not controller. It has galvanized instead of undermined the democratic movements. And it seems that if the democratic aspects of the "Bolivarian Revolution" are to deepen and expand, it will be necessary for the state to continue in this vein so that its *modus operandi* is facilitation not control, and its motto becomes something to the effect of: "Do not plan for others, facilitate planning by others."<sup>38</sup>

### **The sustainability and transformative potential of cooperatives**

The cooperative movement is one of the most vital and vibrant aspects of the "Bolivarian Revolution." Cooperatives have multiplied tremendously in recent years, yet since they are still so young the central question remains their sustainability. The significant support from the state obviously raises the worry of what could happen to them should state support decline. Indeed, one of the central reasons that cooperatives have historically found it difficult to flourish is that they were forced to compete in a capitalist environment (usually with a hostile state, antagonistic creditors, lack of examples to simulate, and a lack of cooperative management expertise).<sup>39</sup> The Venezuelan economic environment is currently only mildly supportive of cooperatives. Government tax credits and training programs such as Vuelvan Caras are definitely helpful, but they need to be entrenched and supplemented with other forms of institutional support, particularly public banks or credit unions that can supply long-term, sustainable financial support independently of the state.

There's also a question as to the transformative potential of the cooperatives. Whether the legal form of cooperation will translate into concrete practices of worker participation in the economic decisions that affect their lives remains to be seen. In addition, it might be objected that cooperatives retain many of the vices of traditional capitalist firms. They react to supply and demand in order to maximize profit, and although this may be useful in terms of allocative efficiency, it raises many traditional socialist worries: won't coops try to get ahead by externalizing their costs of production onto the community (including things like pollution), while internalizing the profits? Won't inequality between rich and poor cooperatives result in the same market absurdities that result from rich and poor people in capitalism--whereby, for instance, Pfizer invests more in drugs for baldness and impotence than malaria (because there is more effective

demand for the former even though there is much more popular demand for the latter)?<sup>40</sup> Won't large cooperatives have incentives to lie, cheat, and exploit both the community and other smaller cooperatives? In other words, it seems that the market system, even if the primary actors in such a system are democratic workplaces, has difficult issues of antidemocratic tendencies and perverse moral incentives.<sup>41</sup>

I want to make the argument that in order for cooperatives to be sustainable as well as transformative of Venezuelan society, they need to be integrated into a larger project of economic democracy. By "integration" I definitely do not mean that they should become wards of the state, rather I mean that they need to become supported and embedded in an economy that is more radically democratic than presently exists. "Economic Democracy" has been taken to mean a variety of different things by different authors.<sup>42</sup> I use the term to refer simply to a series of democratizing reforms around three core areas of the economy: democratizing the *market* through active state intervention; democratizing *workplaces* through the promotion of cooperatives and the union movement; and democratizing *finance* through the creation of public financial services. The implicit vision is of an economy composed largely of coops, financed through public funds, that interact in a heavily-regulated and redistributive marketplace. These reforms build on each other so that economic democracy involves a trajectory of reform away from present capitalist institutions in the direction of a syndicalist or democratic socialist society.

Let us first consider the question of sustainability. To date, the most exhaustive compilation and synthesis of the empirical evidence on cooperatives is Gregory Dow's *Governing The Firm*. Dow argues that the three fundamental obstacles that cooperatives face are: (1) the difficulty of starting up in first place (mainly due to the poverty of workers to buy out their firms), (2) the difficulty in acquiring finance and credit, and (3) collective action problems (resulting from the heterogeneity of workers' preferences).<sup>43</sup> My argument is that these obstacles are unlikely to be overcome by Venezuelan cooperatives themselves. Rather a successful, sustainable and flourishing cooperative movement requires a movement towards greater economic democracy.

The first problem is best addressed by direct and indirect state involvement. For instance, direct subsidies to workers who wish to buy out their firms, or expropriation of bankrupt firms on behalf of workers, as well as indirect tax credits and other incentives to encourage members of traditional firms to transform themselves into coops. Venezuela has been quite successful in this regard. It could, and should, go further by the state taking a leading role in providing the capital for workers to buy out their firms wholesale. This would be enormously expensive, but it is feasible as part of a long term project whereby the state provides a portion of the capital for workers to buy out their firms, and

recuperates this money through a variety of taxes--presumably an inheritance tax on large estates as well as a tax on corporate profits that could either be paid directly to the state or remain in the firm as workers' shares.<sup>44</sup> In this way, the democratization of workplaces would go hand-in-hand with an incremental redistribution of wealth, so that progressive taxation is used to fund democratization. This would effectively link two central goals of the movement--equality and democracy--into a coherent political project.

The second problem of finance can in part be addressed by the state, through things like state loans. But it would be more secure, and provide for greater autonomy, if cooperative financing were to be arranged through some sort of public financial institutions, at arms-length from the state, such as public banks or credit unions. A public bank would have a legal mandate to provide finance (as well as technical support, etc.) to cooperatives. It would attempt to balance traditional criteria for loans (such as profitability and sustainability) with social criteria (such as full employment, expansion of democratic workplaces, environmental sensitivity, etc.)

Finally, it is difficult to conceive of a vibrant cooperative movement without an energetic and radicalized union movement. Unions are vital on a micro-scale for solving collective action problems. They can help to organize a mass of heterogeneous workers into a coherent and unified position that is necessary for worker-led takeovers of firms to be successful, or even to get started. Unions are also vital on a macro-scale in terms of providing a mass movement that can propel the cooperative movement forward by articulating a clear vision of economic democracy. Union movements such as FRETECO and C-CURA, which are militant, syndicalist in orientation, and politically independent, are clearly vital in this regard.

Let us now turn to the question of transformation. Cooperatives are a vital part of a transformative agenda; they constitute a core element of any desirable socialist future, but their transformative potential can only be reached when embedded within a broader system of economic democracy. Workplaces are, after all, only one part of the economy. True, they are an absolutely vital part, but it does not make sense to concern oneself only with democratizing work while ignoring the lack of democracy that is so prevalent elsewhere in the economy. The same ethical impulse that propels the cooperative movement forward--ideas of people controlling their own lives from the ground up, abhorrence of subjugation, and the belief that people should not be disenfranchised from having a say in decisions that deeply affect them--extend beyond workplaces to the economy as a whole. Cooperatives need to be integrated into a larger vision of economic democracy because much of the economy beyond workplaces is severely undemocratic.

This means that a concern with democracy needs to move beyond the workplace to consider the market. The state must use its popular mandate to regulate the market in order to curb its undemocratic aspects.<sup>45</sup> For instance, negative externalities (e.g. companies dumping waste into rivers) are undemocratic because they affect a group of people who had no say in making the decision, or ability to hold the decision-makers to account. The state needs to ensure market accountability by imposing protective regulations (e.g. taxes as disincentives, or outright bans, depending on the case) to force firms to internalize these costs. In addition, markets tend to generate inequality, and inequality is dangerous for democracy in two respects. Firstly, extremely wealthy people are disproportionately more able to influence political decisions than the poor (through lobbying, networking, etc.). And secondly, inequality generates undemocratic market outcomes (because markets respond to dollars not people), so that markets tend to produce what the rich fancy, not what the poor need. The state can ameliorate these undemocratic tendencies by using its tools of taxation, subsidy and transfer to set limits on levels of inequality that the community sees as acceptable.<sup>46</sup>

Furthermore, a concern with democracy needs to move beyond the workplaces to consider finance and the system of investment. It is clear that in today's economy the provision of finance is of vital public concern. The withdrawal of credit and finance is paralyzing to business and devastating to people's lives (witness the current economic crisis). This means that the collective action of investors has a huge impact on the health of the economy. As a class, investors have enormous power to upset the economy, should they so desire, which gives them influence (if not *de facto* veto power) over legislation that they see as undesirable.<sup>47</sup> This undermines the *economic sovereignty* of people to decide their own destiny. For instance, it is practically impossible for a population that desires to redistribute a portion of its wealth to do so given private control of investment because attempts to redistribute would result in capital strike and flight, leading not to greater equality but to great depression. Chile under Allende is a powerful reminder of this. So public finance, as well as things like capital controls, are integral to economic democracy as it avoids the utter dependence on private profit-seeking investors in maintaining the health of the economy.

This vision of economic democracy--with cooperatives at the centre, supplemented by an interventionist state and a public system of finance--has enormous transformative potential. It has such potential because each aspect of this reform program is imminently feasible. The reforms are ambitious, but they are not at all utopian; they are all plausible, and to some degree already exist in the Venezuelan context. Furthermore, the main components of economic democracy outlined here are precisely the components that a future democratic socialist society would require. Economic democracy provides the

cornerstones on which a future democratic socialist society could plausibly be built. It is thus possible to actually envision transition from a society with economic democracy to a democratic socialist society. This is vitally important because discussions of socialism are so often void of clarity about how we'll get from here to there. Discussions of future society often rely on the theoretical crutch of revolution, whereby one can imagine any set of institutions one likes sprouting magically out of the ground like mushrooms "after the revolution." But I do not think that we can expect democratic structures to appear miraculously at the dawn of the revolution. If we want to end up with such structures, we need to start building them now, in a spirit of flexibility and experimentation. To do otherwise is to trust in a wise and benevolent vanguard of the future. But the wisest vanguard is less wise than the experience of popular experimentation. On this question, Bakunin was exactly right: the means that we use to build towards the future society must embody the ends to which we strive.<sup>48</sup> This is the great strength and transformative potential of economic democracy--that it allows us to see the core institutions of the future developing in the womb of the present.<sup>49</sup>

To see this more clearly consider one vision of democratic socialism that seems particularly powerful--that of David Schweickart.<sup>50</sup> Schweickart articulates a model of a future socialist economy built upon three fundamental components: the market (which operates within parameters set by the state), cooperatives, and public finance. In this society there are no capitalists in the form of bosses because all workplaces are democratically controlled by the workers themselves. Likewise, there are no capitalists in the form of private investors living off the labour of others, because there is no private finance--the stock market has been abolished, and financing is provided instead by public banks, funded through general taxes and rooted in local communities.

Part of the attraction of this model is that it's easy to see the *continuities* between this future society and a society like Venezuela at present. In other words, it is much less utopian than some models because we can easily recognize the core institutions--we can see them functioning in the real world and don't have to theorize a radical rupture with the present to achieve them. The three main components of Schweickart's democratic socialism are precisely the three main aspects of economic democracy, the germs of which already exist in Venezuela. Venezuela already has a market system, as well as a state committed (at least ostensibly) to regulating it in a democratic direction. Venezuela also has a vibrant cooperative movement. Finally, Venezuela has an elaborate system of state finance, and some limited banking control, which could perhaps develop into an arms-length public financing system. If these elements were to deepen in the direction of economic democracy then Venezuela would be well on the way to laying the groundwork for a democratic socialist future.

The future of Venezuela is unclear. There are contradictory trends that could see the country degenerate into an authoritarian state socialism, or solidify into a powerful grassroots movement with vast emancipatory and democratic potential. At this point it is impossible to tell. But what is clear is that if we are to see Venezuela progress in a democratic direction, then “21<sup>st</sup> Century Socialism” must retain a notion of economic democracy right at its very core. If it does so, and the successes of the cooperative movement are able to deepen and expand to other parts of society, then Venezuela has truly extraordinary potential to develop into the world’s first genuinely democratic society.

## Endnotes

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- <sup>2</sup> Pearson, T. (2009, March 30). Crime in Venezuela: Opposition weapon or serious problem? *Venezuelanalysis.com*.  
<http://www.venezuelanalysis.com/analysis/4338>.
- <sup>3</sup> Suggett, J. (2009a, May 22). Venezuela nationalizes gas plant and steel companies, pledges worker control. *Venezuelanalysis.com*.  
<http://www.venezuelanalysis.com/news/4464>.
- <sup>4</sup> El Militante. (2008, December 9). Venezuela's Inveval workers protest against bureaucratic sabotage. *Venezuelanalysis.com*.  
<http://www.venezuelanalysis.com/analysis/4026>.
- <sup>5</sup> Wilpert, G. (2007b, June 2). RCTV and freedom of speech in Venezuela.  
<http://www.venezuelanalysis.com/analysis/2425>.
- <sup>6</sup> Hernandez, M. P. (2007, January 27). Just what is 21st-century socialism? *Red Pepper*. [http://redpepper.blogs.com/venezuela/2007/01/just\\_what\\_is\\_21.html](http://redpepper.blogs.com/venezuela/2007/01/just_what_is_21.html).
- <sup>7</sup> Venezuela has the fifth largest proven reserves of conventional oil in the world. If the unconventional reserves of the Orinoco Belt are included Venezuela has the largest hydrocarbon reserves in the world.
- <sup>8</sup> Raby, D. L. (2006). *Democracy and revolution*. London: Pluto Press (p. 194).
- <sup>9</sup> All figures and statistics are from: Weisbrot, M., Ray, R., & Sandoval, L. (2009). *The Chávez administration at 10 Years: The economy and social Indicators*. Washington, DC: Center for Economic and Policy Research. The extraordinary growth in the number of physicians has occurred through interchange with Cuba, exchanging, among other things, medical help for oil.
- <sup>10</sup> Lebowitz, M. A. (2006). *Build it now: Socialism for the twenty-first century*. New York: Monthly Review Press.
- <sup>11</sup> Harnecker, C. P. (2007). Workplace democracy and collective consciousness. *Monthly Review*, 59(6), 27-40.
- <sup>12</sup> Hahnel, R. (2007, December 9). Venezuela: Not what you think. *ZNet*.  
<http://www.zcommunications.org/venezuela-not-what-you-think-by-robin-hahnel>.
- <sup>13</sup> Albert, M. (2008, July 25). Which way Venezuela? *Venezuelanalysis.com*.  
<http://www.venezuelanalysis.com/analysis/3670>. These numbers should probably be taken with a grain of salt. For instance, there are reports of enterprises claiming to be coops in order to avoid paying taxes (of which coops are exempt) without actually transferring power to the workers. Also see: Harnecker, C. P. (2005, December 17). The new cooperative movement in Venezuela's Bolivarian process. <http://www.venezuelanalysis.com/analysis/1531>.

<sup>14</sup> Wilpert, G. (2007a). *Changing Venezuela by taking power*. London: Verso (pp. 77-78).

<sup>15</sup> Harnecker, 2005.

<sup>16</sup> There is, of course, a long historical debate about whether socialism involves workplace democracy. Marxists have generally been suspicious of cooperatives (though Eduard Bernstein is an important exception (Bernstein, E. ([1899] 1993). *The preconditions of socialism*. Cambridge: Cambridge University Press), whereas anarchists have for the most part seen the free association of labor as the seed of the future socialist society. See, for example: Bakunin, M. (1980). *Bakunin on anarchism*. Montreal: Black Rose Books; Berkman, A. (1929). *What is communist anarchism?* New York: The Vanguard Press; Rucker, R. (1988). *Anarchism and anarcho-syndicalism*. London: Freedom Press.

<sup>17</sup> This aspect of democratic freedom is the liberal sense first articulated by Bentham and James Mill. See, for example: Held, D. (1987). *Models of democracy*. Stanford, CA: Stanford University Press.

<sup>18</sup> This sense of freedom is generally associated with the republican tradition, a classic example of which is Jean-Jacques Rousseau (Rousseau, J.J. ([1762] 1987). *On the social contract*. In P. Gay (Ed.), *The basic political writings of Jean-Jacques Rousseau*. Indianapolis: Hackett). For a contemporary analysis see: Skinner, Q. (1998). *Liberty before liberalism*. Cambridge: Cambridge University Press; Pettit, P. (1997). *Republicanism: A theory of freedom and government*. Oxford: Clarendon.

<sup>19</sup> Harnecker, 2007.

<sup>20</sup> An English version of the law can be accessed online at:

<http://www.globalexchange.org/countries/americas/venezuela/communcouncils.html>.

<sup>21</sup> Although major decisions are made by direct participation of all citizens at a general assembly, the council structure is made up of three elected bodies: an executive body, a financial management unit, and a unit of social control to independently monitor the use of the council's resources.

<sup>22</sup> Wilpert, 2007a, p. 59.

<sup>23</sup> Fox, M. (2006, November 28). Venezuela's secret grassroots democracy. *Venezuelanalysis.com*. <http://www.venezuelanalysis.com/analysis/2090>.

<sup>24</sup> It's easy to see why it would be problematic to have pure workers' control in such areas. Imagine, for instance, the several thousand oil workers being in control of all the oil that the nation depends on. This would clearly be undemocratic from the perspective of the average Venezuelan. In such cases it seems reasonable to balance the need for workers' empowerment at their place of work with the interests of the larger community.

<sup>25</sup> Puga, M. (2007). *Social production enterprises (EPS)*. Caracas: CONAPRI, Venezuelan Council for Investment Promotion.



<http://www.conapri.org/English/ArticleDetailV.asp?articleid=291182&CategoryId=16036>.

<sup>26</sup> Anti-authoritarians have long been concerned with the tendency of governments to monopolize power and undermine grassroots democracy. The anarchist tradition has been particularly vocal in this regard, pointing out the capacity for power to corrupt and governments to betray social movements. Bakunin is typical of this sentiment: "take the most sincere democrat and put him on the throne; if he does not step down promptly, he will surely become a scoundrel."

<sup>27</sup> An important factor in the continuation of Venezuela's transformation is the larger geopolitical context, particularly the degree to which ALBA (the Bolivarian Alliance for the Americas) is able to develop in order provide sufficient economic integration and mutual aid to withstand external pressure from the US and elsewhere. ALBA is currently considering introducing a new currency for its eight member countries.

<sup>28</sup> Ellner, S. (2010). Hugo Chávez's first decade in office: Breakthroughs and shortcomings. *Latin American Perspectives*, 37(170), 77-96.

<sup>29</sup> Luxemburg, R. (1961). *The Russian Revolution and Leninism or Marxism?* Ann Arbor: University of Michigan Press (p. 69).

<sup>30</sup> The Constitutional Reform was rejected in the referendum by 51% to 49%. For a defense of the Constitutional Reform see: Carlson, C. (2007, November 3). What is Venezuela's constitutional reform really about? *Venezuelanalysis.com*.

<http://www.venezuelanalysis.com/analysis/2890>. For a critique, see: Lander, E. (2007, November). Contribution to the debate on the proposed constitutional reform in Venezuela. *The Transnational Institute*.  
<http://www.tni.org/article/contribution-debate-proposed-constitutional-reform-venezuela>.

<sup>31</sup> Suggett, J. (2009b, March 16). Venezuela transfers administration of ports and airports to national government. *Venezuelanalysis.com*.

<http://www.venezuelanalysis.com/news/4297>.

<sup>32</sup> The closing of RCTV is a minor development. Ninety-five percent of all media in Venezuela (TV, radio, print, etc) is privately owned, and a significant portion is sympathetic to opposition to the government. RCTV has been accused of blatant breach of standards of journalism by refusing to broadcast information during the attempted coup against Chávez. Far from silencing opposition, the opposition is still the loudest media presence in Venezuela, yet the government is going some ways towards democratizing media by facilitating inclusion of independent voices that have traditionally been excluded (Wilpert, 2007b).

<sup>33</sup> Suggett, 2009a.

<sup>34</sup> El Militante; Janicke, K., & Fuentes, F. (2008, April 29). Venezuela's labor movement at the crossroads. *Venezuelanalysis.com*.

<http://www.venezuelanalysis.com/analysis/3398>.

<sup>35</sup> Janicke & Fuentes.

<sup>36</sup> For a recent balanced analysis of Chávez's ten years in power, see: Ellner, S. (2010). Hugo Chávez's first decade in office: Breakthroughs and shortcomings. *Latin American Perspectives*, 37(170), 77-96.

<sup>37</sup> Rocker.

<sup>38</sup> Hahnel.

<sup>39</sup> Dow, G. (2003). *Governing the firm: Workers' control in theory and practice*. Cambridge: Cambridge University Press.

<sup>40</sup> Bakan, J. (2004). *The Corporation*. Toronto: Penguin Canada (p. 49).

<sup>41</sup> A good non-polemical description of the strengths and weaknesses of the market system is: Lindblom, C. (2001). *The market system*. New Haven, CT: Yale University Press. For an account of a market system that attempts to overcome some of these problems see: Carens, J. H. (1981). *Equality, moral incentives, and the market: An essay in utopian politico-economic theory*: Chicago: University of Chicago Press.

<sup>42</sup> Dahl, R. (1985). *A preface to economic democracy* Berkeley: University of California Press; George, D. (1993). *Economic democracy: The political economy of self-management and participation*. London: Macmillan Press; Archer, R. (1995). *Economic democracy: The politics of feasible socialism*. Oxford: Clarendon Press; Schweickart, D. (1996). *Against capitalism*. Boulder, Colorado: Westview Press.

<sup>43</sup> Dow.

<sup>44</sup> For a theoretical defense of inheritance taxes, see: Murphy, L., & Nagel, T. (2002). *The myth of ownership: Taxes and justice*. New York: Oxford University Press. The latter proposal has some similarity to the 1973 Danish plan in Dahl's *A Preface to Economic Democracy*, as well as the Swedish Rehn-Meidner Plan (see: Meidner, R. (1978). *Employee investment funds: An approach to collective capital formation*. London: G. Allen & Unwin).

<sup>45</sup> Some might argue that markets cannot be reformed--that they are undemocratic to the very core, and thus need to be abolished (for example: Albert, M. (2003). *Parecon: Life after capitalism*. London: Verso; McNally, D. (1993). *Against the market: Political economy, market socialism, and the Marxist critique*. London: Verso). I sidestep this argument, partly because I'm not sure that there is a superior alternative to some form of markets, and more pragmatically, because any non-market society is such a distant prospect that it's difficult to theorize concretely about. For an interesting conversation among socialists about markets, see the debate between Schweickart and Albert on Znet (<http://www.zcommunications.org/znet/zdebatealbertvsschweickart.htm>), as well as: Ollman, B. (Ed.). (1998). *Market socialism: The debate among socialists*. New York: Routledge.

<sup>46</sup> It's important to remember that market systems allow for a great diversity of levels of equality. There is no reason to think of US levels of inequality as any

more “natural” than, say, Danish levels. As Karl Polanyi reminds us, there is no such thing as a “natural” market system, there are only various market-state complexes (Polanyi, K. (2001). *The great transformation: The political and economic origins of our time*. Boston: Beacon Press).

<sup>47</sup> Block, F. (1984). The ruling class does not rule: Notes on the Marxist theory of the state. In T. Ferguson & J. Rogers (Eds.), *The political economy: Readings in the poilitics and economics of American public policy* (pp. 32-46). New York: M.E. Sharpe Publishers.

<sup>48</sup> In Bakunin's words: “if you pull a sapling out of the ground, cut off all the leaves and branches, and make it into a club, you cannot expect to plant it back in the ground and have it grow into a beautiful tree”. This quote is attributed, and I have not been able to find a definite reference.

<sup>49</sup> Of course this is not to say that there is only one possible path to socialism. My point is rather that this vision lets us see at least one path relatively clearly.

<sup>50</sup> Schweickart, D. (1992). Economic democracy: A worthy socialism that would really work. *Science & Society*, 56(1), 9-38; Schweickart, 1996; Schweickart, D. (2002). *After capitalism*. Lanham, MD: Rowman & Littlefield.

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[http://www.voltairenet.org/IMG/pdf/Chavez\\_Administration.pdf](http://www.voltairenet.org/IMG/pdf/Chavez_Administration.pdf)
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