Anarcho
The Economics of Anarchism
4th of September 2009 / 24th of November 2012

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The Economics of Anarchism

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Contents

Economics of Anarchy which summarises all the main schools of anarchist thought. Proudhon's mutualism is discussed in the introduction to *Property is Theft!* and summarised in "Laying the Foundations: Proudhon's Contribution to Anarchist Economics." (in *The Accumulation of Freedom*). Section H of *An Anarchist FAQ* discusses the problems with the Marxist economic vision – in particular, section H.6 should be consulted on the Bolshevik onslaught on the factory committees in favour of capitalist institutions (as Kropotkin noted at the time, we "are learning to know in Russia how *not* to introduce communism"). And for any propertarians reading this who object to my use of libertarian, suffice to say we (libertarian) socialists coined the word (and propertarians deliberately appropriated it)!

an example of selfishness yet that is what bourgeois economics does.

As Kropotkin stressed, "production, having lost sight of the *needs* of man, has strayed in an absolutely wrong direction, and that its organisation is at fault… let us… reorganise production so as to really satisfy all needs." And these are the needs of the *whole* person, the unique individual – as a "consumer" (user) of use-values, as a producer, as member of a community and as part of an eco-system. The needs capitalism denies or partially meets at the expense of other, equally important, aspects of our lives.

Unlike Marxists, we are well aware that our current economic structure is marked by the scars of the drive for profits within a class hierarchy. So while our short term aim is to expropriate capital and turn it to meeting human needs our longer term aim is to *transform* industry and the industrial structure precisely because we recognise what is "efficient" under capitalism cannot, regardless of what Lenin said, be considered as good for socialism.

As I suggested earlier, anarchist economics will develop after a revolution, as an anarchist economy evolves. We cannot predict the end point, as our vision is impoverished by capitalism. All we can do today is *sketch* a libertarian society as it emerges from the abolition of class and hierarchy, a sketch based on our analysis and critique of capitalism, the struggle against it and our hopes and dreams.

Further Reading

This can only be a short introduction to the economics of anarchism. Section I of *An Anarchist FAQ* (volume 2) goes into the matter in more detail, covering subjects like self-management, socialism, what is wrong with markets, and the need for decentralisation. I also gave a talk a few years back entitled *The*

The Economics of Anarchy

To quote someone who sums up the intellectual times in which we live, Sarah Palin: *"now is not the time to experiment with socialism"* This, during the worse crisis since the 1930s! Anarchists would say that is ***precisely*** the time – but only as long as we are talking about ***libertarian*** socialism!

Capitalism in crisis (again!) and the failure of state socialism could not be more clear. Social democracy has become neoliberal (New Labour? New Thatcherites!) while this year also marks the 20th anniversary of the collapse of Stalinism in Eastern Europe. With its **state** capitalism and party dictatorship, Stalinism made the disease (capitalism) more appealing than the cure (socialism)! In this anarchists should be feel vindicated – the likes of Bakunin predicted both these outcomes decades before they became reality.

So there is an opening for a ***real*** alternative. For we must not forget that capitalism is but the latest form of economy. To Proudhon: *"the radical vice of political economy, consists … in affirming as a definitive state a transitory condition, – namely, the division of society into patricians [a wealthy elite] and proletaires."* So we have seen slave labour, followed by serfdom, followed by capitalism. What is capitalism? As Proudhon put it, the "*period through which we are now passing … is distinguished by a special characteristic: WAGE LABOUR"* (*"la salariat"*, to use the Frenchman's favourite term for it).

So capitalism is an economic system based on hired labour, that is selling your labour (liberty) piecemeal to a boss. For anarchists, this is best called ***"wage slavery"***

Anarchism aims for ***associated*** labour, free labour in other words – the situation where those who do the work manage it. In the longer term, the aim is for ***abolition of work*** (work/play becoming the same thing). To quote Kropotkin, we aim to *"create the situation where each person may live by working freely, without being forced to sell [their] work and [their] liberty to others who accumulate wealth by the labour of their serfs."*

Origins of anarchism

Anarchism was not thought-up by thinkers in a library. Its origins, as Kropotkin stressed in his classic work ***"Modern Science and Anarchism"***, lie in the struggle and self-activity of working class people against exploitation and oppression.

We do not abstractly compare capitalism to a better society, rather we see the structures of new world being created in struggle within, but against, capitalism. Thus the assemblies and committees created to conduct a strike are seen as the workplace organisations which will organise production in a free society. To quote the **Industrial Workers of the World**: ***Building the new world in the shell of the old***.

Different schools of anarchism

There are generally three different schools of anarchism (or libertarian socialism): ***Mutualism, Collectivism*** and ***Communism***. ***Anarcho-Syndicalism*** more a tactic than a goal and so its adherents aim for one of these three (usually, anarcho-communism although Bakunin, who first formulated anarcho-syndicalist tactics, called himself a collectivist). In practice, of course, different areas will experiment in different schemes depending on what people desire and the objective circumstances they face. Free experimentation is a basic libertarian principle.

but what of supply and demand changes? This is an important issue, as a libertarian communist society will have to produce (supply) goods in response to requests (demand) for them. First off, it would be common sense that each workplace would maintain stocks for unexpected changes in requests in order to buffer out short-lived changes in production or requests. In addition, each workplace could have a *scarcity index* which indicates relative changes in requests and/or production and this would be used by other workplaces to look for alternatives – so if a given product cannot be supplied then the scarcity index would rise, so informing others that they should contact other workplaces or seek slightly different materials as inputs.

Federations of workplaces would seek to monitor changes in both, in order to organise major investment/closures and large-scale projects – based on dialogue with community, special interest and user organisations and federations. Investment would done on different levels, of course, with individual workplaces investing to reduce time to produce goods in order to get more free time for members (and so be a real incentive to innovate processes and productivity). The need for federalism rests precisely on the fact that different decisions need to be made at different (appropriate) levels.

Production however is more than producing goods. There is a human question which outweighs questions of cheapness or mechanical feasibility. So we must reject single objectives or criteria (like maximising profit or reducing time) and look at the whole picture. So while capitalism is based on "is it cheap?", a libertarian economy would be rooted in "is it right?"

Conclusions

Ultimately, we have a *self-interest* in economic freedom. I have never understood how slaving for a boss can be held up as

How quickly such a system can be reached has long been a moot point in anarchist circles, as have ideas on how precisely it will work. Suffice to say, a libertarian communist society will develop based on the desires of, and the objective circumstances facing, those creating it. Yet we can and must discuss some obvious issues with such a system today.

Unlike mutualism, say, there are no prices. While the need for profits drives economic crises and adds to uncertainty under capitalism, it is fair to say that there are many problems with even non-capitalist markets. Yet market prices *do* guide economic decision-making as they reflect real costs such as labour, raw materials, time and so on (while ignoring, at worse, or hide, at best, many more) as well as reflecting changing productive situations (even if distorted under capitalism by monopoly, profits, etc.).

This raises the obvious question how best to allocate resources without prices? This is not obvious. For example, gold and lead have similar use values so why use one and not the other? Markets (however badly) do that (gold being £100/kg and lead £10/kg makes which one to pick simple, although *too* simplistic). So a libertarian communist economy needs to inform people of the real costs and circumstances of production, without the distorting impact of markets. As Kropotkin suggested, "are we not yet bound to analyse that compound result we call price rather than to accept it as a supreme and blind ruler of our actions?" Thus "we [have to] analyse *price*" and "make a distinction between its different elements" in order to inform our economic and social decision-making.

So we need to agree in the federal structures of a free society the guidelines used to allocate resources. For example, a weighted points scheme for the various factors in decision making could be created in order to have a *cost-benefit analysis* at each stage of creating a product (premised on previous decisions being right and costs communicated). This would reflect objective costs (the time, energy and resources needed),

While these three schools differ on certain issues, they share certain key principles. In fact, if someone claims something as "anarchism" and it rejects any one of these then we can safely say it is **not** anarchism at all.

The first principle is ***possession, not private property***. Following Proudhon's "**What is Property?**", use rights replace property rights in a free society. This automatically implies an egalitarian distribution of wealth. The second is ***socialisation***. This means free access to workplaces and land, so the end of landlords and bosses (this is sometimes called *"occupancy and use"*). The third is ***voluntary association***, in other words self-management of production by those who do it. While the name given to these worker associations vary (co-operatives, syndicates, collectives, workers companies are just four), the principle is the same: one person, one vote. The last key principle is ***free federation***. This is based on free association, which is essential for any dynamic economy, and so horizontal links between producers as well as federations for co-ordination of joint interests. It would be rooted in decentralisation (as both capitalist firms and the Stalinist economies prove, centralisation does not work). It would be organised from the bottom-up, by means of mandated and recallable delegates

Bakunin summarised this kind of economy well when he stated that the "land belongs to only those who cultivate it with their own hands; to the agricultural communes … the tools of production belong to the workers; to the workers' associations." The rationale for decision making by these self-managed workplaces would be as different from capitalism as their structure. To quote Kropotkin, economics in a sane society should be the *"study of the needs of mankind, and the means of satisfying them with the least possible waste of human energy."* These days we would need to add **ecological considerations** – and it is almost certain Kropotkin would have agreed (his classic **Fields, Factories and Workshops** has an obvious ecological perspective even if he does not use the term).

Critique of Property

To understand anarchist visions of a free economy, you need to understand the anarchist critique of capitalism. As is well known, Proudhon proclaimed that *"property is theft"*. By that he meant two things. First, that landlords charged tenants for access to the means of life. Thus rent is exploitative. Second, that wage labour results in exploitation. Workers are expected to produce more than their wages. To quote Proudhon:

"Whoever labours becomes a proprietor – this is an inevitable deduction from the principles of political economy and jurisprudence. And when I say proprietor, I do not mean simply (as do our hypocritical economists) proprietor of his allowance, his salary, his wages, – I mean proprietor of the value his creates, and by which the master alone profits ... ***The labourer retains, even after he has received his wages, a natural right in the thing he was produced****."*

This feeds into Proudhon's *"property is despotism."* In other words, that it produces hierarchical social relationships and this authority structure allows them to boss workers around, ensuring that they are exploited. To quote Proudhon again:

"Do you know what it is to be a wage-worker? It is to labour under another, watchful for his prejudices even more than for his orders ... It is to have no mind of your own ... to know no stimulus save your daily bread and the fear of losing your job. The wage-worker is a man to whom the property owner who hires him says: What you are to do is to be none of your business; you have nothing to control in it."

To achieve this, as noted above, use rights replace property rights. Personal possession remains only in the things you use. To quote Alexander Berkman, anarchism

"abolishes private ownership of the means of production and distribution, and with it goes capitalistic business. Personal possession remains only in the things you use. Thus, your watch is your own, but the watch factory belongs to the people. Land, ma-

gathered at the same spot is really necessary. The great iron works and mining enterprises decidedly belong to that category; oceanic steamers cannot be built in village factories." In a free society the scale of industry would be driven by objective needs, unlike capitalism were profits all too often fosters a size not required by the technology.

In addition, production would be based on *integration* not division. The division of work replaces division of labour with the combining of manual and mental work, industrial and agricultural labour. Agriculture and industry would co-exist together in free communities, giving people a wide range of labours and ending the division between order-givers and order-takers, the lucky few with interesting work and the many toiling away in unhealthy environments doing boring tasks.

This, of course, implies the transformation of workplaces, their surroundings *and work itself*. Many seem to think that libertarian socialism will take over, and leave unchanged, the industrial structure and ways of working intact from capitalism – as if workers would do things in the same way *after* a social revolution!

Libertarian Communism

Again, all this is pretty much common to all schools of anarchism. The key difference is *distribution* – whether to base consumption on labour done or communism, the old *deeds versus needs* debate.

It is fair to say that most anarchists are communists – not in the sense of the Soviet Union (I've seen apparently intelligent people suggest that!) but in the sense of "from each according to their abilities, to each according to their needs." Ethically, most anarchists would agree with me that this is best system, for reasons Kropotkin indicated so well and which I won't attempt to summarise here.

agricultural *and* communal levels along with user, interest and user groups.

This would be a decentralised economy. As Kropotkin rightly argued, the "economic changes that will result from the social revolution will be so immense and so profound… that it will be impossible for one or even a number of individuals to elaborate the [new] social forms… [This] can only be the collective work of the masses." This implies the need for *free* agreements (or contracts) between economic bodies based on genuine autonomy and horizontal links.

Simply put, production *needs* decentralisation and so agreements between parties. A centralised body simply *cannot* know the requirements of specific needs that are inherently subjective (as value in use must be, by definition). It cannot know what criteria are needed in terms of needs to be met (positive use values) or the costs that are considered acceptable to meet them (negative use values). Nor can it know when and where goods are needed. If it tried, it would be swamped by the data – assuming it could collect all of it in the first place (or even know what to ask!).

This applies for both individuals as well as workplaces and communities. As Kropotkin correctly predicted, the idea of a "strongly centralised Government… command[ing] that a prescribed quantity" of goods "be sent to such a place on such a day" and "received on a given day by a specified official and stored in particular warehouses" was both "undesirable" and "wildly Utopian." A feasible and appealing socialism needs "the co-operation, the enthusiasm, the local knowledge" of the people.

Such a system would be based on *appropriate* technology. Here I need to stress that anarchists are *not* opposed to large-scale industry and have clearly stated that since Proudhon onwards. Thus we find Kropotkin arguing that "if we analyse the modern industries, we soon discover that for some of them the co-operation of hundreds, or even thousands, of workers

chinery, and all other public utilities will be collective property, neither to be bought nor sold. Actual use will be considered the only title – not to ownership but to possession. The organisation of the coal miners, for example, will be in charge of the coal mines, not as owners but as the operating agency. Similarly will the railroad brotherhoods run the railroads, and so on. Collective possession, co-operatively managed in the interests of the community, will take the place of personal ownership privately conducted for profit."

Proudhon summarised this well as "*possessors without masters"*

Socialisation

While not all anarchists have used the term *"socialisation"*, the fact this is the necessary foundation for a free society and, unsurprisingly, the concept (if not the word) is at the base of anarchism. This is because it ensures universal self-management by allowing free access to the means of production. As Emma Goldman and John Most argued, it *"logically excludes any and every relation between master and servant"*

This has been an anarchist position as long as anarchism has been called anarchism. Thus we find Proudhon arguing in 1840 that *"the land is indispensable to our existence"* and *"consequently a common thing, consequently insusceptible of appropriation"* and that *"all accumulated capital being social property, no one can be its exclusive proprietor."* This means *"the farmer does not appropriate the field which he sows"* and *"all capital … being the result of collective labour"* is *"collective property."* Unsurprisingly, Proudhon argued for "*democratically organised workers associations"* and that *"[u]nder the law of association, transmission of wealth does not apply to the instruments of labour, so cannot become a cause of inequality."*

As economist David Ellerman explains, the democratic workplace *"is a social community, a community of work rather than a community residence. It is a republic, or **res publica** of the workplace. The ultimate governance rights are assigned as personal rights ... to the people who work in the firm ... This analysis shows how a firm can be socialised and yet remain 'private' in the sense of not being government-owned."*

Self-management

Socialisation logically implies that there would be no labour market, simply people looking for associations to join and association looking for associates. Wage-labour would be a thing of the past and replaced by self-management.

This is sometimes termed *"workers' control"* or, in the words of Proudhon, *"industrial democracy"* and the turning of workplaces into "*little republics of workers.*" For Kropotkin, a libertarian economy would be based on *"associations of men and women who ... work on the land, in the factories, in the mines, and so on, [are] themselves the managers of production."*

This would be based on one member, one vote (and so egalitarian structures and results); administrative staff elected and recallable; integration of manual and intellectual work; and division of ***work*** rather than division of ***labour***.

Thus, as Proudhon suggested, workplaces *"are the common and undivided property of all those who take part therein"* rather than *"companies of stockholders who plunder the bodies and souls of the wage workers."* This meant free access, with *"every individual employed in the association"* having *"an undivided share in the property of the company"* and has *"a right to fill any position"* as *"all positions are elective, and the by-laws subject to the approval of the members."*

[1] It should be noted that in academic economics this system is often called "syndicalism" or "market syndicalism", which shows you that know-

the oppressed fighting for their freedom. This, in turn, shows how the basic structures of libertarian socialism will be the organs created by working class people in their struggles against exploitation and oppression.

And will take time. As Kropotkin stressed, anarchists "do not believe that... the Revolution will be accomplished at a stroke, in the twinkling of a eye, as some socialists dream." This is particularly the case given the economic problems he rightly predicted a social revolution would face. So he was correct to argue that "were we to wait for the Revolution to display an openly communist or indeed collectivist character right from its insurrectionist overtures, that would be tantamount to throwing the idea of Revolution overboard once and for all." And this can be seen from every revolution – even the Spanish revolution of 1936 and the collectives created by the members of CNT which were not planned or desired by anarchists but rather a product of the specific circumstances of the time (not that Marxists seem aware of that, I must note!).

The Building Blocks of (libertarian) Socialism

So anarchist economics will develop after a revolution, as an anarchist economy evolves. Yet based on what has been said we *can* sketch its basics.

There is much in common in all schools of anarchism. Proudhon summarised the core vision well when he argued that "ownership of the land and of the instruments of labour is *social* ownership" and argued for "democratically organised workers' associations" united in a "vast federation."

Such an economy would see use rights, possession and socialisation replacing private and state property, with self-management of production (as Kropotkin constantly stressed, the workers "ought to be the real managers of industries"). There would be socio-economic federalism on the industrial,

with their liberty" to the boss who controls their labour and appropriates the "collective force" they produce. However, "[b]y virtue of the principle of collective force, workers are the equals and associates of their leaders." Yet "that association may be real, he who participates in it must do so" as "an active factor" with "a deliberative voice in the council" based on "equality." This implies free access and socialisation and so workers must "straightway enjoy the rights and prerogatives of associates and even managers" when they join a workplace. This meant the need to create "a solution based upon equality, – in other words, the organisation of labour, which involves the negation of political economy and the end of property."

Creating the future by fighting the present

Today, we can only analyse capitalism, understand its dynamics and identify elements within it which point to the future. These two forms – objective tendencies *within* capitalism (such as large-scale production) and oppositional tendencies *against* it (such as unions, resistance, strikes).

The last is key and what differentiates anarchism from Marxism, who generally stress the former. Thus we find Proudhon pointing to co-operative workplaces and credit during the 1848 revolution while revolutionary anarchists like Bakunin and Kropotkin looked to the labour movement. The latter, for example, arguing for "*the workers, organised by trades…*[to] *seize all branches of industry…* [and] *manage* these industries for the benefit of society." And we can easily see how the strike assemblies, committees and federations fighting capitalist oppression and exploitation today can become the workplace assemblies, committees and federations of the free socialist economy of tomorrow.

This perspective provides the necessary understanding of where socialism will come from, from *below* by self-activity of

While these principles underlie all schools of anarchism, there are differences between them.

Mutualism

The first school of anarchism was mutualism, most famously associated with Proudhon.[1]

This system has markets. This does not imply capitalism, as markets are not what define that system. Markets pre-date it by thousands of years. What makes capitalism unique is that it has the production of commodities **and** wage labour.[2] So this means that mutualism is based on producing commodities but with wage labour replaced by self-employment and cooperatives.

This implies that distribution is by work done, by ***deed*** rather than need. Workers would receive the full product of their labour, after paying for inputs from other co-operatives. This does not mean that co-operatives would not invest, simply that association as a whole would determine what faction of their collective income would be distributed to individual members and would be retained for use by the co-operative.

It should be noted here that neo-classical economics argues that co-operatives produce high unemployment. However, like the rest of this ideology this is based on false assumptions and is, ultimately, a theory whose predictions have absolutely nothing to do with the observed facts.

As well as co-operatives, the other key idea of mutualism is ***free credit***. People's Bank would be organised and would

ing little about a subject is no barrier to writing about it such circles.

[2] If quoting Engels is not too out of place, the *"object of production — to produce commodities — **does not import** to the instrument the character of capital"* as the *"production of commodities is one of the preconditions for the existence of capital … as long as the producer sells only **what he himself** produces, he is not a capitalist; he becomes so only from the moment he makes use of his instrument **to exploit the wage labour of others**."* (**Collected Works**,

charge interest rates covering costs (near 0%). This would allow workers to create their own means of production. Again, neo-classical economics suggest that there would be a problem of inflation as mutual banks would increase the money supply by creating credit. However, this is flawed as credit is not created willy-nilly but "rationed", i.e., given to projects which are expected to produce more goods and services. Thus it would not be a case of more and more money chasing a set number of goods but rather money being used to create more and more goods!

Lastly, there is the ***Agro-industrial federation***. Proudhon was well aware of the problems faced by isolated co-operatives and so suggested associations organise a federation to reduce risk by creating solidarity, mutual aid and support. As all industries are interrelated, it makes sense for them to support each other. In addition, the federation was seen as a way to stop return of capitalism by market forces. It would also be for public services (such as railways, roads, health care and so forth) which would be communally owned and run by workers co-operatives.

Mutualism is reformist in strategy, aiming to replace capitalism by means of alternative institutions and competition. Few anarchists subscribe to that perspective.

Collectivism

The next school of anarchist economics is collectivism, most famously associated with Bakunin. It is similar to mutualism, less market based (although still based on distribution by deed). However, it has more communistic elements and most of its adherents think it will evolve into libertarian communism.

Vol. 47, pp. 179–80) In this, he was simply repeating Marx's analysis in **Capital** (who, in turn, was repeating Proudhon's distinction between property and possession).

ruling few is perfect for socialism, *a system which should meet the needs capitalism denies*!

As with neo-classical economics, these false ideas have consequences. During the Russian Revolution they provided the ideological underpinning for the Bolsheviks undermining the genuine (if incomplete) socialism of the factory committees in favour of the centralised industrial structures inherited from capitalism (the Tzarist *Glavki*) – with *disastrous* results both for the economy *and* socialism.

Sketching the future by analysing the present

So the Marxist is perspective is flawed, a few sentences are not enough. We need to sketch the future, based on analysis of modern society and its tendencies.

I must stress that Anarchists do not abstractly compare capitalism to some perfect model. As Proudhon argued in 1846 (in his *System of Economic Contradictions*), the "present form" of organising labour "is inadequate and transitory." While he agreed with the Utopian Socialists on this, he rejected their vision making in favour of grounding his socialism in an analysis of trends and contradictions within capitalism:

> "we should resume the study of economic facts and practices, discover their meaning, and formulate their philosophy… The error of socialism has consisted hitherto in perpetuating religious reverie by launching forward into a fantastic future instead of seizing the reality which is crushing it…"

This analysis and critique of capitalism does feed into positive visions.

Proudhon, for example, argued that workers were exploited *within* production as they have "sold their arms and parted

Marxism as an impossibility (at best) or state capitalism (at worse)

The other way of looking at socialist economists is associated with Marx. He wrote very little about socialism, undoubtedly in reaction to the Utopian socialists and their detailed plans. Sadly, his few scattered remarks on planning have proved to be the bane of socialism.

The problem can be seen from his alternative to Proudhon's market socialism in *The Poverty of Philosophy*, which amounted to just *three* sentences. It is a classic example of the fallacy of composition, only appearing to be feasible when you are discussing the economic relationships between two people as Marx did (his Peter and Paul). It is decidedly *not* feasible for an economy that has millions of people, products and workplaces within it. In such circumstances it is simply utopian, as would have been obvious if Marx had tried to explain how it would work!

Marx quickly dropped the immediate (centralised) communism of *The Poverty of Philosophy* and *The Communist Manifesto* argued for a transitional period of *state* capitalism. This would be the basis on which "socialism" would be slowly introduced, a "socialism" built on capitalist structures and marked by centralisation. Yet this advocacy of central planning was based on a fallacy, an extrapolation from how capitalist firms were growing in size and replacing the market by conscious decision making on a wider scale. Yet under capitalism the decision-making criteria is narrow and Marx never questioned whether planning by large firms was only possible because it was based on *one* factor – profit. It is this reductionism within capitalism that makes it wrongly appear that centralised planning could work.

Also, it seems strange that by some sort of happy coincidence that an economic and industrial structure forged by the criteria necessary for increasing the profits and power of the

So it can be considered as a half-way house between mutualism and communism, with elements of both. As such, it will not be discussed here as its features are covered in these two. Like libertarian communism, it is revolutionary, considering that capitalism cannot be reformed.

Communism

First, this is **not** like Stalinism/Leninism! That was state capitalism and not remotely communistic, never mind libertarian communist. Most anarchists are **libertarian** communists and the theory is most famously associated with Kropotkin.

Unlike mutualism and collectivism, there are no markets. It is based on the abolition of money or equivalents (labour notes). So no wage labour **AND** no wages system (*"From each according to their abilities, to each according to their needs").*

Communist-anarchism extends collective possession to the products of labour. This does not mean we share toothbrushes but simply that goods are freely available to those who need it. To quote Kropotkin: *"Communism, but not the monastic or barrack-room Communism formerly advocated [by state socialists], but the free Communism which places the products reaped or manufactured at the disposal of all, leaving to each the liberty to consume them as he pleases in his [or her] own home."*

These anarchists urge the abolition of money because there are many problems with markets ***as such***, problems which capitalism undoubtedly makes worse but which would exist even in a non-capitalist market system. Most obviously, income does not reflect needs and a just society would recognise this. Many needs cannot be provided by markets (public goods and efficient health care, most obviously). Markets block information required for sensible decision making (that something costs £5 does not tell you how much pollution it costs or the conditions of the workplace which created it). They also systematically re-

ward anti-social activity (firms which impose externalities can lower prices to raise profits and be rewarded by increased market share as a result). Market forces produce collectively irrational behaviour as a result of atomistic individual actions (e.g., competition can result in people working harder and longer to survive on the market as well as causing over-production and crisis as firms react to the same market signals and flood into a market). The need for profits also increases uncertainty and so the possibility of crisis and its resulting social misery.

Rather than comparing prices, resource allocation in anarcho-communism would be based on comparing the use values of specific goods as well as their relative scarcities. The use-values compared would be both positive (i.e., how well does it meet the requirements) and negative (i.e., what resources does it use it, what pollution does it cause, how much labour is embodied in it, and so on). In this way the actual cost information more often then not hidden by the price can be communicated and used to make sensible decisions. Scarcity would be indicated by syndicates communicating how many orders they are receiving compared to their normal capacity – as syndicates get more orders, their product's scarcity index would rise so informing other syndicates to seek substitutes for the goods in question.

Evidence

Fine, it will be said, but that is just wishful thinking! Not true as the empirical evidence is overwhelming for libertarian economic ideas.

For example, workers' participation in management and profit sharing enhance productivity. Worker-run enterprises are more productive than capitalist firms. A staggering 94% of 226 studies into this issue showed a positive impact, with 60% being statistically significant. Interestingly, for employee own-

But before discussing anarchist economics, I will need to quickly cover non-libertarian alternatives. Historically, there have been two ways of looking at the problem of a socialist economy, both of which are wrong. The first is to provide detailed descriptions of the future society, the second is to limit yourself to short comments on socialism.

Recipes for the cook-shops of the future…

The first socialists, the likes of Fourier and Saint-Simon, did present detailed plans and two things quickly become clear. The first is the impossibility of their perfect communities, the second is their elitist nature – they *really* did think they knew best and so democracy and liberty were not important in their visions of "socialism" (if that is the right word). Proudhon, rightly, attacked these systems as tyranny (which he termed "Community," but is usually translated as "communism").

Regardless of the desirability or practicality of these visions, the underlying notion that we can produce detailed descriptions is false. Adam Smith, for example, did *not* present a detailed model of how capitalism *should* work, he described how it *did* work. The abstract models came later, with neo-classical economics to *justify* the current system. This reached its height in post-war economics, which saw economists producing irrelevant models based on impossible assumptions. Sadly, these have been and still are being used to impose terrible things on real economies and so real people.

We do not want to repeat this just to impress a few neo-classical true-believers

The need for an alternative

Anarchists have long fought against this limited vision (on both sides). Emma Goldman, for example, argued that "[r]eal wealth consists of things of utility and beauty, in things that help create strong, beautiful bodies and surroundings inspiring to live in." You will not find *that* in economics textbooks! Kropotkin put it well:

> "Under the name of profits, rent, interest upon capital… economists have eagerly discussed the benefits which the owners of land or capital… can derive… from the under-paid work of the wage-labourer… the great question 'What have we to produce, and how?' necessarily remained in the background… The main subject of social economy – that is, the *economy of energy required for the satisfaction of human needs* is consequently the last subject which one expects to find treated in a concrete form in economical treatises."

This suggests that socialism would mean the end of *bourgeois* economics, which is little more than ideology defending capitalism and the rich, not a science… In fact, it would mean the dawn of economics as a *genuine* science.

What is Anarchist economics?

So what is Anarchist economics? It means, I think, two things. The first is an anarchist analysis and critique of capitalism while the second are ideas on how an anarchist economy could function. The two are obviously interrelated. What we are opposed to in capitalism will be reflected in our visions of a libertarian economy just as our hopes and dreams of a free society will inform our analysis

ership to have a strong impact on performance, it needs worker participation in decision making.

Co-operatives, moreover, have narrow differences in wages and status (well under 1 to 10, compared to 1 to 200 and greater in corporations!). Unsurprisingly, high levels of equality increase productivity (as workers don't like slaving to make others rich off their labour!).

What about a lack of stock market? No real need to discuss how stock markets are bad for the real economy in the current cycle but suffice to say, they serious communication problems between managers and shareholders. Moreover, the stock market rewards short-term profit-boosting over long-term growth so leading to over-investment in certain industries and increasing risk and gambling. Significantly, bank-centred capitalism has less extreme business cycle than stock market one.

The successful co-operatives under capitalism, like Mondragon, are usually in groups, which shows sense of having an ***agro-industrial federation*** and are often associated with their own banking institutions (which, again, shows the validity of Proudhon's ideas).

Then there is the example of various social revolutions around the world. No anarchist talk would be complete with a reference to the Spanish Revolution of 1936 and this is no exception. Yet we do so for a reason as this shows that libertarian self-management can work on a large-scale, with most of industry in Catalonia successfully collectivised while vast areas of land owned and managed collectively. More recently, the revolt against neo-liberalism in Argentina included the taking over of closed workplaces. These recuperated factories show that while the bosses need us, we do not need them!

Getting there

So, with the desirability and validity of libertarian socialism sketched, the question becomes one of how do we get there. Obviously, one elements of this would be creating and supporting co-operatives within capitalism (Proudhon: *"That a new society be founded in the heart of the old society"*) This could include promoting socialisation and co-operatives as an alternative to closures, bailouts and nationalisation.

However, most anarchists see that as just a part of encouraging a ***culture of resistance***, or encouraging collective struggles against capitalism and the state. In other words, encouraging ***direct action*** (strikes, protests, occupations, etc.) and ensuring that all struggles are self-managed by those within them and that any organisations they create are also self-managed from below. The goal would be for people to start occupying workplaces, housing, land, etc., and so making socialisation a reality. By managing our struggles we learn to manage our lives; by creating organisations for struggles against the current system we create the framework of a free society.

Together we can change the world!

More information: section I of An Anarchist FAQ)

(Based on a talk give at the **Radical Routes** Conference *"Practical Economics: radical alternatives to a failed economic system"* on the 23rd May. Radical Routes is a network of co-operatives and can be contacted at Radical Routes Enquiries, c/o Cornerstone Resource Centre, 16 Sholebroke Avenue, Leeds, LS7 3HB)

Anarchist Economics

Introduction

Economics, rightly, is subject to much scorn. As Malatesta memorably put it: "The priest keeps you docile and subjected, telling you everything is God's will; the economist says it's the law of nature." Thus "no one is responsible for poverty, so there's no point rebelling against it." Proudhon, rightly, argued that "political economy… is merely the economics of the propertied, the application of which to society inevitably and organically engenders misery." People suffering austerity across the world would concur with him: "The enemies of society are Economists."

Nothing has changed, except the usual alternative has been shown to be worse. Only a non-worker could come up with Lenin's vision: "*All* citizens are transformed into the salaried employees of the state… The whole of society will have become a single office and a single factory." The poverty of this concept of socialism is summed up by his proclamation that we must "organise the *whole* economy on the lines of the postal service." Clearly someone not aware of the expression *going postal*…

As Kropotkin noted long ago, the Marxists "do not trouble themselves at all to explain that their idea of a Socialist State is different from a system of State capitalism under which everybody would be a functionary of the State."

We need a better vision than replacing capitalists with bureaucrats.