The Economics of Anarchy

Anarcho

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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 neo-liberal (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.

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, machinery, 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."*

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 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

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

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.

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 reward 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 ownership 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)

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