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# Anarchist Economics

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This is a write-up of my talk at the 2012 London Anarchist bookfair on Anarchist Economics. I was part of a panel which was inspired by the recent AK Press book *The Accumulation of Freedom* (to which I provided a chapter on Proudhon). It does not cover everything and the other panellists made points I should have included – as such economics not being separate from society in a free society (nor, for that matter, would the analysis of how goods are produced – although that is, I think, implicit in my talk). Suffice to say, on the day I did not quite manage to cover everything I wanted and so this write up reflects my hopes rather than exactly the reality!

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learning to know in Russia how *not* to introduce communism”). And for any proprietarians reading this who object to my use of libertarian, suffice to say we (libertarian) socialists coined the word (and proprietarians deliberately appropriated it)!

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 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

## 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.

## 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 inspir-

ing 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

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.

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 be 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 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

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), 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

## 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

## 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 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.

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.

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



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 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 where profits all too often foster 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

## Sketching the future by analysing the present

So the Marxist 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 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 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 an 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 cor-

rect 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, 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*