

# **Anarchist Economics, Marxist Economics, and Pareconist Economics**

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When discussing radical economics, really two different, if related, topics are meant. (1) The nature of the economy which might be created after the overthrow of capitalism (whether called socialism, communism, or anarchism). And (2) the nature of the existing, capitalist, economy—how it works and what its future development will be.

This leads to my two part proposition: (1) The best theoretical approach to proposing post-capitalist, post revolutionary, economies comes from the anarchist tradition, as well as other, non-Marxist, varieties of libertarian socialism (guild socialism, Parecon, distributionism, etc.). But (2) the best approach to understanding capitalism is Marxist economics (more precisely, Marx's critique of political economy).

I write this even though I identify with the overall program of revolutionary class-struggle anarchism. This is why I think that the two parts of the proposition must not be reversed. Marxism must not be used as the basis for a vision of a new society. Admittedly, there is an aspect of Marxism (of Marx's Marxism) which points to a libertarian-democratic and humanistic society, a society of the free association of individuals. This has attracted a minority to an anti-statist version of Marxism. But there are also authoritarian aspects of Marx's Marxism, such as its centralism or its determinism. In practice, Marxism as a movement has repeatedly ended up as authoritarian, oppressive, and (to be precise) massively murderous.

In this essay, I will focus on proposition (2), the usefulness of Marx's economic theory. For illustration, I will counterpose it to the economic theory of Parecon. This does not cover point (1), for which the theory of Parecon is most well known: its model of a post-capitalist society, managed by a federation of workplace and community councils, with democratic economic planning, without a market or centralized planning (Albert, 2003; Hahnel, 2005). This is a very interesting topic, but instead I am discussing Pareconists' views of capitalism today, as compared to an anarchist view which uses Marxist insights.

The founders of "Participatory Economics," or "Parecon," were Michael Albert and Robin Hahnel. Originally they regarded their approach as "unorthodox Marxism" (Albert & Hahnel, 1978). Currently Hahnel calls his views "libertarian socialism" (Hahnel, 2005), while Albert completely rejects the label of "socialism" (Albert, 2001). Now Parecon is presented as an "anarchist vision" (p. 327).

I take up this strain of libertarian thought not because it is particularly bad, but for the opposite reason: because it is relatively strong and developed. It has much more of an economic theory than most other anarchists or libertarian socialists. It is therefore worth examining. I will focus on three chapters on Pareconism which appear in a book on "Anarchist Economics," edited by D. Shannon, A.J. Nocella II, and J. Asimakopoulous (2012). This is an excellent book for its range of views. (I have a chapter in it, on topic [1], post-capitalist anarchist economies, not the topic discussed here.) There is a chapter each by Hahnel and Albert, the co-founders of Parecon, and one by Chris Spannos, who has edited a book advocating Pareconism (Spannos, 2008).

## **Chris Spannos' Anarchist Economics**

Spannos' essay is "Examining the History of Anarchist Economics" (pp. 42–63). It is worth reading, as a good brief overview of the history of anarchist economics, much of it on topic (1), post-capitalist economies. But he writes some things about the functioning of capitalism (topic [2]), which need responding to.

He insists that “Marx’s work overwhelmingly emphasizes a two-class theory based on ownership relations...” (p. 47)—that is, the bourgeoisie (capitalists) and the proletariat (modern working class). However, he claims, Bakunin recognized the existence of a third class, which today has been called the “*professional-managerial class*” or (the term used by Pareconists) the “*coordinator class*.” This class supposedly has its own interests opposed to both capitalists and workers. It came to power, replacing the bourgeoisie, in the former Soviet Union and Maoist China (Pareconists call these societies “coordinatorist,” although Spannos also uses “state-socialist”). These societies supposedly use either “*central planning or markets*” (p. 43).

Actually they attempted centralized planning but were always dependent on markets. Workers sold their ability to work to the bosses; they produced consumer commodities which were sold on the market and means of production which enterprises sold to each other; as well as buying, selling and borrowing on the world market. As a result, their economies showed a drive to continually produce, accumulate, and expand.

The existence of this middle layer is a fact, but the Pareconist analysis is superficial. What is really central to Marx’s analysis of capitalism is not private property or even markets by themselves. It is the capital/labor relationship in the process of production. (I am ignoring Marx’s analysis of landlords as a third major class alongside the capitalists and workers. It does not effect the argument.) This is a particular form of exploitation, distinct from that of slavery or serfdom or any imagined new form of exploitation. The workers’ commodity of their ability to work is bought by the capitalists who work them as hard as possible and pay as little as possible, working them beyond the point where they have produced the equivalent in value of their wage, thus gaining hours of unpaid-for labor in the production of commodities. This surplus production serves a drive for continual accumulation of capital—the self-expansion of value.

What makes the bourgeoisie capitalists is not private property as such but that they are the agents of capital in the process of accumulation. “...*The capitalist is merely capital personified and functions in the process of production solely as the agent of capital*” (Marx, 1967; p. 819).

Marx expected small businesspeople, independent professionals, and small family farmers to decline in number, as the capitalist economy became ever more centralized, concentrated, monopolized, and statified. But this process would also expand the middle layer of managers, bureaucrats, and supervisors. “*An industrial army of workmen, under the command of a capitalist, requires, like a real army, officers (managers), and sergeants (foremen, overlookers), which...command in the name of the capitalist. The work of supervision becomes their established and exclusive function*” (Marx, 1906; p. 364). Marx discusses “*the development of a numerous class of industrial and commercial managers*” (Marx, 1967; p. 389).

Let me repeat: contrary to Spannos, Marx describes the “*development of a class of managers*.”

The capitalists and proletarians are the two polar classes because of their relations in the process of production and for no other reason. “*Marx’s political economy does not reduce the class structure to that of capital and labor. On the contrary, other classes are located in relation to capital and labor, whether as an essential or contingent part of the capitalist mode of production*” (Fine & Saad-Filho, 2010; p. 148).

The managerial class exists to aid the capitalists in their extraction of surplus labor from the workers. It has conflicts with the capitalists, which is no surprise in this conflictful, competitive, economy. Under exceptional circumstances, a section of this class may temporarily replace the traditional, stock-owning, bourgeoisie as the agent of capital—as it did in the Soviet Union. (Marx and Engels did imagine the possibility of complete state-ownership, yet the total replacement of

the traditional bourgeoisie by a collective bureaucracy was not foreseen by Marx but was by Bakunin, as Spannos correctly says.) Then the managers (bureaucrats, coordinators, whatever) become the collective personification of capital in the capital/labor relationship. So long as this is the case, the society remains capitalist (state capitalist).

There is another peculiarity of Pareconist theory. Discussing “compensation,” Spannos claims that “*Under capitalism bargaining power determines incomes....Workers have little bargaining power with capitalists or the state...*” (p. 51). Again, this is superficially correct. What is left out is that the workers are exploited! that a certain amount of work is unpaid labor producing surplus value for the capitalists. Since the Pareconists reject Marx’s labor theory of value and the analysis which follows from it, they have no theory of where profit comes from (unless we assume profit comes from increased production of useful goods, ignoring the issue of monetary value altogether). Therefore they have no theory of exploitation, except that the workers are in a weak bargaining position. Would this also apply to the slaves and serfs of ancient societies? Were they exploited or were they just in weak bargaining positions?

## Robin Hahnel’s Liberal Libertarian Socialism

“The Economic Crisis and Libertarian Socialists” by Hahnel (pp. 159–177) was a speech given in Greece in May 2010. It discusses the Great Recession and the response of the ruling classes in the U.S. and Europe. The essay is the original speech plus a short update.

Considering that the speech was given by a libertarian socialist to an “anti-authoritarian” conference, it is remarkably disappointing. Except for a brief introduction, there is nothing in it that Paul Krugman could not have written, or any other liberal Keynesian. His statement of “*the principle causes*” of the crisis includes “*economic inequality*” and “*reckless deregulation of the financial sector*” (p. 161). The only background to these factors are “*a steady increase in corporate power*” and a reciprocal weakening of the power of “*workers, consumers, and governments*” (p. 161). This makes the Great Recession sound like an accident. He does not mention that there has been a long decline in capitalist profits in the real economy (where real goods and services are produced) since about 1970. This has been compensated-for by an expansion in the financial (paper) economy (what Marx called “fictitious capital”). This has been shown in the work of Brenner (2006), Foster & Magdoff (2009), Kliman (2012), and Mattick (2011), among others.

His proposals—presumably to be raised by libertarian socialists and anti-authoritarians—are merely left-liberal. He advocates greater regulation of the capitalist banks and firms and a massive economic stimulus. But if there is a long-term decline in capitalism, the bourgeoisie is likely to fight tooth-and-nail against any such liberal program, particularly against any financial stimulation which improved the lot of the working class and poor. And even if such a program were to be implemented, the long-term downward trend would only be temporarily modified, not turned into a new prosperity.

Hahnel makes no suggestion for a libertarian socialist transitional program. He does not advocate calling for a massive public works program, under the control of workers and local workers’ communities. He does not call for workers to occupy factories and workplaces which close down or stay “open” by firing most of its employees—occupy and run such enterprises, in coordination with other self-managed workplaces and public works sites. He does not advocate repudiation of national debts and expropriation of big businesses. As the crisis worsens (as it will, over time),

such demands could demonstrate the practicality of a revolutionary anarchist program. But it is not for Hahnel.

Hahnel has written a book on economics (2002), which has the great virtue of clarity of writing. His theoretical approach is left-Keynsian and Sraffian. I will not get into this book, which would require a whole review. At one point he makes an argument for rejecting Marx's concept that the rate of profit tends to fall. (This is consistent with his ignoring the long term decline in capitalist real production for the last 4 decades.) Without detailed discussion, I note that his argument makes precisely the error which was pointed out by Kliman (2007). (See footnote.)

## Michael Albert's Porous Strategy

As an "Afterword" to the volume, Albert's chapter is "Porous Borders of Anarchist Vision and Strategy" (pp. 327–343). He begins with a defense of Parecon as a "*sufficient anarchist revolutionary vision*" (p. 327). This is not my topic here so I won't go into it. He makes no mention of how capitalism works, how it pushes some people toward a new society, or how it tends to hold others back.

Then he gets into a discussion of "Anarchist Strategy." He argues for flexibility in strategic thinking, as opposed to those anarchists who advocate a specific strategic orientation. For example, some anarchists believe that a revolution will be needed to overturn the state and other institutions of capitalism. They believe that the working class will be needed as a central part of such a revolution, in alliance with all other oppressed groups. To this end, they encourage mass actions of struggle by workers and others against the capitalists and their state wherever possible. I agree with this strategic view. I think it follows from an historical anarchist analysis of capitalist society as well as with Marx's economic analysis of capitalism.

On the contrary, Albert argues, "...*there is virtually no such thing as a strategic commitment, positive or negative, that is a principled touchstone and therefore unbridgeable in all times and places, a priori*" (p. 338). On one level this is a platitude (if outer space aliens invade the planet, all bets are off), but what he means is that he rejects certain specific strategic ideas held by revolutionary class-struggle anarchists. More specifically, he has been influenced by Hugo Chavez's "Bolivarian revolution" in Venezuela. Albert wants to appeal to anarchists while being a statist pro-Chavista at the same time.

He specifically denounces those who say "*presidential politics is actually verboten for anarchists*" (p. 338). In the past he had argued that leftists should vote for Jesse Jackson in the Democratic Party and, in 2008, that Greens should not oppose Obama in "swing states." Sometimes, he says, there might be relatively good presidential politicians (presumably like Chavez) who should be supported. In all this he does not once mention the class issue. Unlike Bakunin and other anarchists, Marx wanted the workers to vote, but to vote for a workers' party—a party which had broken with bourgeois politics. (Bakunin disagreed, and in my opinion has been proven right by history.) Marx would not have been for voting for pro-capitalist, pro-imperialist, parties, such as the U.S. Democratic Party, nor for nationalist parties which maintain capitalism in oppressed nations, as in Venezuela. But this class question does not arise for Albert.

Even more astounding, he writes that in some circumstances it might be right "*if we use the army to discipline and if need be to replace the police*" (p. 341), again referencing Venezuela. He is talking about the existing army under the existing state. He is not referring to an army which has

been split between reactionary officers and self-organized, mutinying, working class soldiers (in such a case, anarchists might indeed use the rebelling part of the army against the police—and the officer corps).

What is totally lacking here is a class analysis of the state. Revolutionary anarchists believe that the existing state is completely an oppressive, capitalist, institution. It cannot be reformed into anything else. This does not mean that demands may not be made on it or that it may never do something good for the people (for its own reasons). But it remains the state of the capitalists, bureaucrats, and politicians. However formally democratic, it is still what Marx called the “dictatorship of the bourgeoisie.”

Therefore it must be overturned and dismantled completely. It must be replaced by something else: a non-state federation of workers’ councils and community assemblies, associated with an armed working class and other oppressed people. (Again, this is consistent with a libertarian-democratic interpretation of Marxism, if not with reformist or Marxist-Leninist versions.) There is a long history which supports these conceptions (Price, 2007; 2010). Albert’s views on the state and on elections are quite far from the mainstream of the anarchist tradition.

Incidentally, Marx regarded the original Bolivar as an authoritarian misleader of national liberation movements in Latin America (Draper, 1992). For a current anarchist analysis of Chavez’s politics, see Uzcategui (2010).

## Conclusion

My goal was to illustrate why Marx’s economic theory was most useful for anarchists when it comes to understanding how capitalism works. I illustrate this by a critique of three recent essays by leading advocates of Parecon. They have developed their own theory of capitalist economics as well as a vision of a libertarian socialist economy. I think that this brief analysis has shown that, while they have insights, their attempt to develop their own economic theory is quite weak. It is superficial and limited in its analysis of the existing economy, of class relations, of the capitalist state, and of the current crisis. The programmatic conclusions which they draw are liberal and reformist. There is no alternative to anarchists using Marxist economic theory in pursuit of our vision and goals.

Footnote: The error is: The model he uses to refute the falling rate of profit theory has monetary values (prices) stay the same despite increased productivity. In reality, increased productivity causes prices to decrease (commodities to get cheaper, or—under inflation—for their prices to rise slower than the general rate). This is what we would expect, following the labor theory of value, when commodities are produced with less labor.

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