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Economic Democracy: The new mutualism?

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Allan Engler is a lifelong trade unionist and social activist. Some may recognise his name from his 1995 book *Apostles of Greed* when he first presented his critique of capitalism and his alternative. His new booklet **Economic Democracy: The Working-Class Alternative to Capitalism** expands on this vision, which he terms “Economic Democracy” but which others would call market socialism. He argues as well as that it is “a working-class alternative” and “practical.” “Humankind,” he rightly suggests, “does not need a capitalist class.” (7)

There is much in the book that libertarians can agree. Capitalism *is* “based on workplace dictatorship.” (15–6); “Letting the market decide” *is* “a euphemism for letting capitalists decide” (18); “means of livelihood that requires co-operative social labour” *are* “owned by wealth-holding minorities who are entitled to direct these for private profit” (12); “buying and consuming” *are* “consolations for enduring workplace dictatorship” (40); everyone *is* “entitled to participate as equals in social labour and in the direction of economic life” (45); he rightly rejects the idea of the working class being “narrowly defined as

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the industrial proletariat” (97); we *do* need to replace “capitalist ownership with social ownership and master-servant relations with workplace democracy.” (83)

These arguments, and others like them, will be familiar to libertarians. The question is, is Economic Democracy *really* the working class alternative to capitalism? In part, yes – but only because he repeats longstanding *libertarian* positions.

Engler does give the impression that he is a recovering Marxist, keen to salvage *something* from the orthodox Marxist tradition while, in fact, being far closer to Proudhon. Like Proudhon’s mutualism, his system is based on a market exchange of products created using socialised means of production and the suggestion that “socially owned financial institutions” would ensure that interest rates “will be kept low, no more than the minimum required to encourage saving and to cover the experience-rated risk of loss” (61) has obvious parallels with Proudhon’s “Bank of the People.” Sadly, Engler does not discuss any links with mutualism, but given that Proudhon is *persona non grata* in most Marxist circles this is no surprise. Indeed, the orthodox Leninists think nothing of invoking Proudhon to dismiss market socialism – which would not be too bad, if they had *some* idea of what he advocated.

Ironically, Engler *does* mention Proudhon, quoting “property is theft” by the “French radical.” He thinks Proudhon “exaggerated” and contrasts him to Marx whom Engler argues “held that property began as the right of people to the products of their own labour” while capitalism was the right to appropriate others’ labour. Which was Proudhon’s position, not Marx’s who was a communist and aimed (eventually) to end even that kind of property. Proudhon’s ideas are also unknowingly repeated when Engler writes: “If property is the right of people to the products of their own labour, capital is legalised theft.” (15)

It is a shame that Engler was not more familiar with Proudhon, as he may see the similarities in their ideas. This would

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against the likes of Proudhon that commodity production was incompatible with socialism. So it was hardly in the 1930s that “opposition to market forces became a dogma of the anti-capitalist left” (69) it was a position that Marx had been expounding since 1847. Then there is the claim that by 1950 “communist parties had abolished capitalism in countries that accounted for a third of humankind.” (97) Yes, Engler may reject Stalinism but he still accepts the notion that it was *non-capitalist* rather than *state-capitalist*.

So is it the new mutualism? Not quite but there is much in common with Proudhon’s vision of a socialist market system based on self-managed co-operatives utilising socialised credit and means of production in a socio-economic federation. Rather than trying to squeeze his ideas into Marxism, Engler would have been better exploring the links with mutualism, the anarchist critique of Socialists using elections and the anarcho-syndicalist vision of social transformation.

Is Economic Democracy *the* alternative to capitalism? Some of aspects of it *are* – the aim of abolishing wage-labour by workers’ self-management is one such aspect, as is the need for *social* ownership rather than nationalisation – but anarchists have been advocating those since 1840. So the book presents a useful critique of capitalism as wage-slavery (which any libertarian would agree with) but it is weak on the rich tradition of ideas associated with libertarian socialism. While there is much anarchists will agree and sympathise with, there is too much acceptance of electioneering as a strategy and a too blasé acceptance of markets.

Ultimately, the book raises far too many questions that remain unanswered. More familiarity with the wider socialist tradition outside of Marxism would aid Engler considerably and both help clarify his arguments and identify his differences with mutualism.

Economic Democracy: The Working-Class Alternative to Capitalism

have allowed him to avoid inaccurate claims that Economic Democracy “could be called communism or socialism, but both are now identified with state ownership and top-down central command.” (46) It is hardly communism as it is based on markets and money. It *could* be called socialism as mutualism is (as Proudhon stressed) a form of socialism, a position most orthodox Marxists would reject as they confuse markets with capitalism. As such, Engler is right to note that markets have existed “long before capitalism” (67) and that with self-employment “capitalism would not exist.” (18) Proudhon made this point and one which Marx, when not mocking him, echoed.

Economic Democracy, Engler argues, will “not turn the world upside down” as “workers as a class have no interest in abolishing wage labour, industry, technology, markets or global exchange.” (46) If his system does socialise and democratise the workplace then it *does* abolish wage labour, as Proudhon and Marx argued. From the context, it seems likely that he means that economic democracy does not abolish distribution according to deed (“the wages system”, to use Kropotkin’s term) but it is a strange comment to make by someone so aware of socialist ideas. So remember that Engler, like Proudhon at times, uses the term wage/salary to refer to labour income.

Libertarian communists have always argued against mutualism is that it ignores the negative pressures associated with market forces and so members of the co-operatives would be forced to work longer, harder and allocate more to investment than they would like in order to survive on the market (some call this, inaccurately, “self-exploitation” or “self-managed capitalism”). It also ties consumption to labour done rather than need. As such, he is right to argue that the “capitalist market is the problem, not the solution” (37) but he does not address whether there are problems with markets *per se* which make them problematic in achieving socialist goals.

Engler, like Proudhon, is aware of some of the problems, arguing that “competitive drive to maximise profits pushes capitalist firms to simultaneously increase production and cut employment and wages. It pushes enterprises to exploit resources at unsustainable rates and to externalise environmental costs.” (7) “Enterprises with higher profits,” he notes, “gain control of additional supplies, technologies and markets.” (13) This would still affect socialised workplaces operating in a market environment. He acknowledges this by arguing that economic democracy “does not mean workers will own enterprises.” Workers’ ownership under capitalism, he argues, “remains a form of private competitive ownership that pushes worker-owners to focus on narrow immediate interests” as well as “tying workers’ income to the rise and fall of enterprise new revenues.” (47)

Communist-anarchists would agree with this yet Engler also argues that prices would “continue to be regulated by market forces” (67), money would “continue to measure exchange value” (68) and people would “exchange the products of one’s labour.” (59) He does acknowledge that “[n]one of that makes markets inherently benevolent. Forces of supply and demand reflect, reproduce and aggregate existing entitlements and disparities” (67) All true, but admitting this does not *really* address why would workplaces in Economic Democracy not be in a similar situation as ones under capitalism?

Engler is, I think, arguing that while workplaces would be run by their workers, the actual wage-rate and the policies they follow would be set by the community: “All inhabitants will be entitled to a voice and an equal vote in their communities’ economic and political decisions.” (7) Thus product prices are to be “set to cover labour costs at democratically agreed wages and salaries” while certain commodities (steel, petroleum, etc.) “will be set globally.” In general, though, prices “will be determined within national, regional and local markets.” (64) This makes sense only if we assume communities set wage-rates and market prices reflect these socially set values. This explains

So while he, correctly, invokes the “mass direct action” of the IWW, *Industrial Syndicalist League*, anarcho-syndicalists in Italy, Spain and France who were “leading strikes and factory occupations” (88) he fails to learn from their ideas. However, his arguments that unions “will identify with their communities and humanity as well as their occupations” and become “organisations of human solidarity” (103) are correct, but again just repeating what anarchists were arguing in the 1860s. Equally, the idea that “communities will mobilise for democratic control of resources, social employment and markets” (103) is one which anarchists have long advocated.

His account of the Bolshevik revolution is also marred by typical (Leninist) confusions – only someone unfamiliar with Maurice Brinton’s ground-breaking *The Bolsheviks and Workers’ Control* could proclaim that the Bolsheviks “[o]n taking power, Lenin’s government had proclaimed its support for the management of factories by workers’ committees.” He follows a long line of Leninist apologists when he asserts that “the long civil war accustomed Bolshevik officials to top-down central command.” “Within months,” he states, “industry was nationalised. Managers appointed by the government were given unilateral authority to direct production and hire and fire workers.” (93) This true, yet Bolshevik authoritarianism started *before* the start of “the long civil war” and so cannot be used to excuse Bolshevik state-capitalist policies – particularly as nationalisation *was* Lenin’s aim before seizing power. Similarly, it is somewhat disingenuous to state that “[i]n the late 1920s, Stalin’s government” relied on repression, with power “in hands of top party and state officials” (93) – it had been a feature of the Bolshevik regime *from the start*.

Engler makes some *very* strange assertions. Thus we find it claimed that only after Stalin’s forced collectivisation “in the 1930s, individual enterprise came to be viewed as incompatible with socialism.” (59) Stalin’s vision of planning was hardly his own – he was building on arguments by Lenin and Marx

another key issue, namely belief that the democratic (capitalist) state could be utilised to abolish capitalism. Engler states that “[a]rmed upheaval is inherently incompatible with working class interests” (93) although there are obvious counter-examples to this (compare Barcelona in 1936 to Berlin in 1933) and even mildly reformist regimes have suffered military coups. To exclude (popular) insurrection is simply as untenable as fetishising it.

Instead Engler argues that the working class “will rely on workplace organisation, community mobilisations and democratic political action. The objective will be to transform capitalism into economic democracy through gains and reforms.” His vision for social transformation included union organising and raising income taxes. (83) However, it is all fine and well to quote the *Communist Manifesto* on the need to “win the battle of democracy” (85) but this *has* been tried and it simply proven anarchists right. Proudhon’s argument that the state was “inevitably enchained to capital and directed against the proletariat” and so “it is of no use to change the holders of power or introduce some variation into its workings” has been more than confirmed and social democracy became as reformist as Bakunin predicted.

Engler does argue that social transformation “rests on workplace organisation, community mobilisations and democratic electoral action.” (98) No anarchist would deny that any social transformation requires the first two, but surely we have had enough experiences of the last since Marx imposed it on the First International to recognise that this will never work? Why bother with electioneering if we organise outside of parliament as he suggests? The vision Engler presents is the same one Bakunin advocated against Marx: “Local labour councils, regional federations and national congresses will aim to unite wage and salary workers in all occupations with the unorganised, the marginalised and the unemployed everywhere.” (103)

why workers are “entitled to bargain collectively and freely associate in unions of their choice” and these will “negotiate wage rates” as unions “may not always agree with the policies of communities.” (53)

Which raises the question of whether “the community” would be able to regularly set wages based on a full understanding of all relevant information for *all* workers. It is all fine and well proclaiming that “[e]veryone who engages in providing goods or services for others” has “a legitimate claim to a voice and equal vote in the direction of their communities’ means of livelihood,” (47) it is another to think that they will have the time and ability to do so all the time on all issues. There needs to be a balance between community involvement and the practicalities of so doing otherwise important decisions may end up being delegated into a few hands. Mutualism and communist-anarchism solve this issue by recognising the existence and importance of functional groupings and their federation but Engler is somewhat vague on this issue and what, precisely, should be discussed by whom and at what level.

Also, while labour would be paid in money, Engler argues that the specifics will be decided upon by workers and communities. Some “may opt for equal pay while others choose income differentials” and so Economic Democracy “does not ... mean that everyone will be paid the same.” (57) Yet needs, as communist-anarchists have long argued, do not reflect the ability to labour and we would be see welfare provision as in capitalism. He also argues that, over time, people “would see no point in being paid more or less than others. This is a vision of communism – a society of equality and abundance – that inspired nineteenth-century opponents of capitalism.” (57) While this vision of equal pay did inspire some in the nineteenth-century (Proudhon, at times) it is hardly “a vision of communism” as Marx would have argued!

Which raises the question of how people would get paid. Would it be from the income received from selling their products? From a community fund? Engler seems to suggest the former when he argues that “[c]ommunity-owned enterprises will retain funds to maintain and renew means of livelihood.” (61) In that case, how do you ensure that the income of workers equals the community agreed amount? Would incomes be supplemented by community allowances? And if income is directly related to the income generated by selling the product of your labour then why is Economic Democracy immune to the issues he raised about co-operatives under capitalism having “narrow immediate interests”?

Proudhon recognised the need to regulate markets, including (like Engler) the right for communities could “refuse credits or close enterprises.” (53) Thus it is hardly alien to mutualism to argue, as Engler does, that communities will “democratically regulate economic activity” (83) and “deliberately and openly act to protect the interests of their residents” against market forces. (68) However, his ideas on socialisation meant free access to workplaces and an income based on what your products earned in exchange. This seems more straightforward than Engler’s scheme (although it does raise the issue of market forces as Engler notes).

The issue of free access is an important one if you argue that workers should get the full product of their labour (as Engler seems to). He argues that as well as “socially owned” workplaces there would also be “producer co-ops owned by all workers” which “could be intermediate alternatives in enterprises employing a dozen or fewer” (60) and that the “self-employed may own their tools, equipment and machinery. They could lease land and buildings and claim title to improvements; community ownership of land and commercial buildings will keep rents low.” (59) Yet are not these individuals part of the community and so, in theory, have free access to the socialised means of production? Would the producer co-ops also have to

pay rent? Is the “community” as the landlord to which we pay rent that different from capitalism? So if communities *do* “own social means of livelihood, land, resources, building, plant, machinery and equipment” (61) it seems ironic to expect members of said communities to have to *pay* to use them.

Interest payments will also be made, as “[w]age and salary workers and the self-employed will defer spending, providing savings for investments.” (61) This accepts the “loanable funds” theory from capitalist economics which post-Keynesian economics have shown is an invalid assumption (Proudhon would not have been surprised). It is also surprising to read, given his critique of wage-labour, that “some labour will be privately employed.” Yet, contradictory, he also argues that these people “have the same rights to a voice and vote in directing their labour time.” (60) What is it to be? If “most people in owning communities will be wage and salary workers and all workers will have a voice and vote in their communities’ decisions” (53) then why should some be excluded from a say in their time working? Either you sell your labour (and so have no say in how it used) or you do (in which case you have not really sold it). This is glossed over.

Then there is ownership. He states he is against state ownership (rightly so!) and for “social ownership” and “community ownership” (48) yet also suggests that ownership could rest, in certain cases, with “provinces or states” or “Federal or national governments” (48) and that “Federal or national governments will provide most of the funding for public services.” (50) He also suggests that ownership could rest with “federations of autonomous national, regional or continental enterprises.” (48) While the latter fits with social ownership (echoing as it does Proudhon’s *agro-industrial federation*), the former is at odds with opposition to state ownership.

This is something which needs to be clarified, particularly as the modern state is not neutral and should be replaced (*a la* Proudhon) with a federation of communes. This leads to