Markets, Marx and Mutualism

A review of Socialism After Hayek by Theodore A. Burczak

Anarcho

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When the Eastern Block collapsed some suggested that it vindicated the arguments of the "Austrian" school of (right-wing) economics, notably Thatcher's favourite economist Friedrich von Hayek. Hayek had argued that central planning could not work because it would be impossible for central planning to find, gather and process the dispersed information in an economy. Theodore Burczak agrees but rather than reject socialism, he seeks to synthesise Marx and Hayek and so redefine it to meet the "Austrian" challenge.

The resulting book, *Socialism After Hayek*, is both interesting and frustrating. Interesting because it discusses ideas anarchists have long held dear – workers self-management, the end of exploitation, the necessity for decentralisation and free agreement. Frustrating because Burczak seems utterly ignorant of *libertarian* socialistideas which means that while he thinks he is being extremely innovative, he is often merely re-inventing the wheel.

This lack of awareness of another major school of socialism can be seen when he talks about developing a "libertarian Marxism" (3) No, not council communism or such like but rather right-wing "libertarian" or, more correctly, propertarian (so accepting the *laissez-faire* capitalist appropriation of "libertarian" from the left without objection). So Burczak seeks a socialism based on private property and markets, or a "market socialism" (144) – if he had a better grasp of socialist history he would have discovered its original name: mutualism.

The book starts badly. "Classical socialism," he declares, "was a movement to replace … capitalism with national planning, public ownership, and distribution according to human need" (1) Well, yes – but only if we limit "socialism" to orthodox Marxism. Communist-anarchists embrace the last two objectives, mutualists the middle one, but both are clearly socialists. It is somewhat ironically, then, to read him complaining that the "Austrian" economists have an "unreconstructed image of socialism as central planning and Marxism as antimarket" (12) while he himself does the former.

Burczak's attempt to fuse markets and Marx is on weak ground. Marx's analysis of capitalism *does* mix up critiques of wage-labour and market forces but the latter simply cannot be ignored. He asks wherever Marxists can "overcome their residual market phobia" (138) yet does not address the many critiques of markets *as such* found in Marxist (and anarchist communist) theory. Burczak also confuses wage-labour (selling labour to a boss) with the wages-system (distribution according to work done). While abolition of the latter implies the former, the opposite is not the case. Thus he misconstrues Marx's ideas when he suggests Marx "explicitly called for the abolition of the wages system, a goal that would be achieved in workers' self-management." (99) While Marx's critique of capitalism rests on a correct understanding of wage-labour allows unpaid surplus labour to be appropriated from workers, his vision of socialism rests on the (eventual) ending of money and markets.

So if you ignore all this in favour of Marx's critique of wage-labour, then perhaps a "post-Hayekian socialism" (145) "can be teased out of Marx's writings" (102) but why bother? It really does go against the grain of Marx's ideology and there is another leading socialist thinker, Proudhon, who already *explicitly* proclaims much of what would be "teased" out anyway.

At best, you *can* tease out a grudging admission that market socialism is not "self-managed capitalism" (or "self-exploitation" or self-contradictory) from Marx's work. This can be seen in his discussion of Primitive Accumulation in volume 1 of *Capital* (volume 3 also contains important comments on this issue) so Burczak *is* right to suggest that Marx "recognised the difference between private property and capitalist private property" (110) but to proclaim a market Marxism is incredulous – for while there is evidence that Marx supported a *transitional* market economy based on co-operatives, it was not his goal. Indeed, Marx attacked Proudhon for holding such visions (when not falsely asserting he favoured wage-labour).

That his book could have benefited with a wider reading of socialist theory can be seen from his arguments that "the ability of the owner of the means of production to appropriate the entire output of the enterprise that employs wage-labour" (101) while "democratic, worker-managed enterprises operating in a private-property, market-based economy … can achieve the Marxian goal of abolishing exploitation in economic processes that require group production" (15) as "[p]rofits would accrue to the manual and mental workers who participate in their creation." (140) This simply repeats Proudhon's arguments that "instead of working for an *entrepreneur* who pays them and keeps their products" workers should "work for one another and thus collaborate in the making of a common product whose profits they share amongst themselves." Only industrial democracy, in which "all positions are elective, and the by-laws subject to the approval of the members," would ensure that "the collective force, which is a product of the community, ceases to be a source of profit to a small number of managers" and becomes "the property of all the workers."

Thus, argued Proudhon, workers' association were required because the proprietor appropriates product, the "collective force" and "surplus of labour" produced by workers. So while Burczak invokes David Ellerman's "labour theory of property" to argue that workers are entitled to the full product of their labour, he does not, like Ellerman, mention Proudhon as a precursor to this analysis. Similarly, Burczak sounds very much like Proudhon when he notes that "entrepreneurs usually are capitalists, because the asset poor are unable to obtain credit" (75) and asks "why would anyone ever choose to work for someone else if credit were easily accessible to all"? (72)

The book does, correctly, stress that self-management would ensure the use of "tacit, local knowledge in the production process" (119) as this is held by groups of workers, knowledge which under capitalism is used to enrich their bosses rather than, as under socialism, themselves. The capitalist firm is marked by top-down central planning and the hierarchical structure of the capitalist workplace blocks the flow of essential information. For some reason very few "Austrians" turn their fire against that institution in spite of the obvious knowledge issues involved. It is not hard to work out why.

Burczak also utilises the work of Marxists Resnick and Wolff who, he states, present "nontraditional definitions" (6) of both capitalism and Stalinism. Well, non-traditional to orthodox Marxism but very traditional to anarchism! We even predicted that state socialism would be nothing more than state-capitalism. This exposes a serious limitation in his analysis, the confusion of *nationalised* property with *socialised* property. Thus he argues that exploitation "can persist in the presence of central planning and socialised property." (7) Yet property was *nationalised* in the Soviet Union, placed (along with those who use it) under the control of the state bureaucracy and state-appointed managers. In such circumstances exploitation would obviously continue – as anarchists have predicted from the start and reiterated when facing the realty of Bolshevik and then Stalinist Russia.

He suggests we need to end wage-labour "rather than socialising" productive property (110) yet ending wage-labour implies socialising the means of production as only common-ownership can ensure that new members of a workplace have the same rights and liberties as existing members. Without socialisation (i.e., when "the worker self-managed firm would also be worker owned" (122)), new members would become the wage-slaves of the existing collective of workers. That was why Proudhon argued that property should be "undivided" (socialised) with those who use a specific part of it manage/control it ("possession"). Only *socialisation* can end exploitation by ending master-servant relations in production and so as well as confusing that with nationalisation, he also labels possession as "private property" (albeit, non-capitalist).

He asks: "Can the goals of classical socialism be achieved without central planning and abolition of private property?" (3) In terms of the former, yes – libertarians have argued for a decentralised socialism since 1840. As for the latter, this confuses property with possession and Burczak would have benefited from a reading of Proudhon's *What is Property?* Only *socialisation* can end exploitation by ending master-servant relations in production. Again, here awareness of other traditions of socialism would have enriched his book immensely and helped him avoid such blunders as thinking Stalinism was somehow socialist and repeatedly confusing socialising ownership with nationalising it.

And while Burczak is right to argue that market socialism avoids the knowledge problem – the "inability of central planners to access and utilise individual's subjective, situational knowledge" (2) – he fails to discuss whether a decentralised (libertarian) communism can also avoid it.

Well aware of Marx's dictum on "from each according to their needs," Burczak argues for both a "welfare state" (143) and a "socialist stakeholding society" (134), namely a redistributive wealth tax which would give everyone a large cash grant large enough to promote equality of opportunity. Such a grant (wealth tax) would also, he argues, allow workers to create co-operatives by them pooling their grants together. There is no discussion of how to organise credit institutions nor the need for federations of co-operatives to support their members – so no "agro-industrial federation" in spite of the fact that the most successful co-operatives have such federal support structures. Similarly, while Burczak's system ends the labour market and stock market, it seems to tolerate other forms of non-labour income like rent and interest as workers could "borrow or rent capital from nonworker owners." (122) These are steps backwards compared to mutualism.

Another weakness is that Burczak seems overly impressed with "Austrian" economics, proclaiming that it has "a richer theory of market processes" (4) than neo-classical economics. That would *not* be hard. He ignores post-Keynesian economics which recognises the problems of *laissez-faire* capitalism while sharing the better aspects of "Austrian" economics (such as uncertainty, disequilibrium, time, ignorance) but without the lip-service to them (i.e., post-Keynesians actually mean it!) and its compulsive, ideological love of capitalism and the wealthy. Strangely, Burczak accepts the standard neo-classical analysis of co-operatives (namely, they produce "[b]ackward-bending market supply curves and perverse employment reductions" (134)) and references (120) an Austrian economist who also accepts it while arguing that free market entry in the long-run counteracts their problems. Yet this analysis is deeply flawed, both rooted in dubious assumptions and not reflected in any co-operative's practice.

Burczak critiques "Austrian" economist Israel Kirzner's "finders-keepers" defence of income property, based on pointing out that entrepreneurial income almost always involves having access to money. He notes against Kirzner that "the ability to capture entrepreneurial opportunity will often depend on access to wealth" (131) and without equality of access to credit, such a defence is flawed. That he thinks that the "Austrians" would be moved by such an obvious point is touching, given their ideology. Entrepreneurial activity becomes meaningless when divorced from owning capital (even wages are viewed as "entrepreneurial" profit) and to note that it does not, in fact, explain the source of a *social* surplus. Any critique should also stress that while it is possible, for example, that an entrepreneur can make a profit by buying cheap in one market and selling dear in another this simply redistributes existing products and surplus value, it does not *create* them and so profits overall would be null as any gainer would be matched by a loser. Ironically, for all its talk of being concerned about market process, this defence of entrepreneurial profits rests on the same *static* vision of capitalism as does neo-classical economics.

That profits require property is implicitly acknowledged by Kirzner himself who lists "productive creativity" (69) (i.e., turning low-priced inputs into higher priced products) as one of his three ways of generating entrepreneurial profit. In reality, the "low-priced" input is labour for, as Proudhon argued, what workers get paid by their boss is always lower than the value of the products they produce. Entrepreneurial activity (discovery) is ultimately labour and so (given the Kirzner's broad definition of it) workers exercise it all the time but the hierarchical capitalist firm restricts this by (formally) limiting it to owners/managers who also, due to their position, monopolise the outcome and benefits of this (informal, but essential) activity of their workforce. Ultimately, profit depend on owning capital and hiring and so exploiting workers – that is, not giving them the full product of their (entrepreneurial and other) labour.

This also suggests that socialist self-management would increase entrepreneurial activity as all participate and benefit from so doing. As with "tacit" knowledge, this defence of capitalism is really no such thing and, needless to say, both entrepreneurial activity and use of tacit knowledge can easily be included into Proudhon's notion of "collective force."

The book also contains a useful critique of Hayek's notion of the neutrality of common law, showing that it contradicts his own subjectivism and ignores how judges' personal views and interests can skew decisions. Strangely, the influence of class and wealth are not particularly stressed (as Kropotkin argued, laws evolve reflecting both social needs *and* class influences). He argues against von Hayek's dislike of democracy, stressing that a just system must rely on democracy in order to generate *genuinely* common decisions. This is an important critique.

Burczak admits that "[m]ost socialists will probably find this Hayekian socialism thin soup." (139) Perhaps, but this is due to much of socialism being lumbered, thanks to a few scattered remarks on planning by Marx and Engels, with a utopian perspective (of the kind Proudhon refuted in 1846) on what constitutes socialism – a utopianism which, as can be seen by the Bolsheviks and the factory committee movement, can actively destroy genuine socialist tendencies in favour of centralised state capitalism. Libertarians, however, may find his arguments of some use even if they show little awareness that he is unknowingly repeating *our* ideas much of the time.

Ultimately, if Burczak had been more aware of the libertarian tradition he would have discovered that Proudhon had argued, against the centralised Jacobin-socialism of Louis Blanc, that without competition the prices of goods would arbitrary and so meaningless. That, for Kropotkin "a strongly centralised Government" managing the economy was not only "undesirable" but also "wildly Utopian" and the communism needed free agreement to ensure the use of "the co-operation, the enthusiasm, the local knowledge" of the people. So rather than invoking Hayek, Burczak could have elaborated upon these existing discussions *within* socialism.

Given all this, perhaps *Socialism after Hayek* would be better entitled *Socialism before Marx*?

Socialism After Hayek

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