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# Self-Management, Anarchism and Democracy

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Self-Management and Participation*

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## 6. CONCLUSIONS

Self-management then can rationally be supported from many different ideological perspectives. There is some reason to believe that it accords well with the ideology of anarchism, particularly in its 'Left' or anarcho-communist variant. Self-management cannot be regarded, from the Marxist viewpoint, as a capitalist form of economic organisation, though some Marxists would argue that market self-management is an unstable type of economic system which must eventually be transmuted into either capitalism or socialism. The viewpoint of participatory democracy provides a powerful basis from which to advocate self-management since it can be seen as a natural extension of democracy from the political to the economic sphere. There are powerful groups in both capitalist and socialist societies with an interest in opposing self-management. Any view that suggests self-management will emerge naturally under either capitalism or socialism if it offers benefits superior to those available elsewhere can therefore safely be dispensed with. Governments wishing to introduce a self-managed sector would have to be prepared to intervene politically to balance the interests of various pressure groups such as professional managers and trade unions, in addition to making any economic intervention which may be required.

Trade unions under socialism act largely as a 'transmission belt' between the communist party and the individual workers (though, as is clear from Poland, their activities can spread far beyond this narrow role). They are, therefore, unlikely to display the same opposition to self-management as trade unions do under capitalism.

It is clear then that there are powerful groups within existing societies with a vested interest in opposing self-management and the economic means to do so. The Panglossian view, that self-managed firms will emerge naturally in a market system if they genuinely offer their members greater benefits than are available elsewhere, is therefore of little merit. The introduction of a self-managed sector into existing economies would require government intervention. It will be a theme of this book that, in capitalist societies, this intervention will have to be largely in the capital market. Any government wishing to promote a self-managed sector would, in addition, have to take the interest groups, discussed above, into account. Professional managers would have to be assured that their professional skills as coordinators of production will be required as much under self-management as they are under the status quo. If it proves impossible to secure sufficient skilled managerial labour the government will have to be prepared to facilitate the training of new managers. Governments of capitalist societies will have to ensure that the economic power of large corporations cannot be deployed to obstruct the emerging self-managed sector. They will also have to involve the trade unions in the functioning of the self-managed sector in areas such as health and safety and the avoidance of victimisation. All of this would require political action: none of it could be achieved by merely tinkering with markets. Governments of socialist societies would have to ensure that the 'nomenklatura' cannot attack the operation of the self-managed sector.

## 1. INTRODUCTION

Economic ideas do not exist in a political and ideological vacuum and it is therefore important to consider how the idea of self-management is related to various broader ideologies and to ask which ideologies, if any, provide a basis from which self-management as an economic system can rationally be supported. This leads one naturally to analyse the relationship between economic self-management and the wider political environment. In particular it is of interest to ask which interest groups are likely to support self-management and which to oppose it. This, in turn, leads to an analysis of how self-management might be promoted in existing societies. These are the issues dealt with here.

Market capitalism is often linked with the ideology of the Right and state command planning with that of the Left. Self-management, by contrast, places the control of capital neither with private capitalists (or their agents) nor with the state (or its agents) but rather with those who work directly with that capital. Moreover, self-management is consistent with either a market system of resource allocation or with central planning, though clearly some forms of central planning (for example, Hungarian-type indirect financial planning) allow more managerial autonomy to the individual enterprise than others (for example, Soviet-type command planning). In many textbooks on comparative economic systems (see, for example, Gregory and Stuart, 1989) self-management is presented as an independent economic system, distinct from both capitalism and socialism. This presents difficulties for the empirical approach to comparative economic systems since Yugoslavia furnishes the only extant example of an economic system in which self-management is the central characteristic. Moreover, to regard self-management as an alternative to capitalism and socialism is a considerable oversimplification, as will be argued below. The question of capital ownership

is central to self-management. Any successful system of self-management would have to sustain Vanek's (1977b) distinction between basic and usufruct ownership, though it is worth noting that many configurations of rights are possible (see Becker, 1977, for a discussion). In principle the basic owners could be individuals or private organisations such as banks or, alternatively, basic ownership could rest with the state. We can therefore think of self-management as having two extreme or 'pure' forms, capitalist self-management (where basic ownership rests with individuals or private organisations) and socialist self-management (where basic ownership rests with the state). Yugoslav firms, apparently at least, furnish examples of socialist self-management, while workers' cooperatives in the West provide examples of the capitalist variety. Self-managed firms may well emerge in the (former) Soviet Union as a consequence of the programme of '*perestroika*' (see Aganbegian, 1988), while in the West, including the United States, there has recently been an upsurge of interest in workers' cooperatives (see, for example Jackall and Levin, 1984).

In reality, of course, modes of production are rarely pure (see Hodgson, 1984, for a development of this argument). Even in the West some production takes place under non-capitalist conditions. Some capital is state-owned and, in addition to that, a great deal of economic activity takes place within the household. Similarly, in Eastern Europe, even prior to the current (1991) reforms, there was a degree of private ownership of capital, for example in agriculture. Virtually all economies are, in fact, mixed economies. Self-management can provide a new form of social ownership which could generate a desirable and viable alternative to both private and public enterprise as at present understood.

it is to be expected that corporate economic power would be deployed against a self-managed sector which looked likely to reach any significant size.

The wishes of consumers would, in a market economy, be transmitted to self-managed producers by means of the market mechanism. This mechanism would be subject to precisely the same difficulties as it would if enterprises were of conventional type. For example, there is no reason to believe that self-managed firms would deal with externalities any better than conventional firms. Consumer groups would therefore seem unlikely particularly to favour self-management. Nonetheless the popular conception of workers' cooperatives does connote socially conscious co-operators producing ozone-friendly yoghurt and other similar products. A self-managed nuclear power station seems hard to imagine. In fact as well as in imagination there have been non-market links between self-managed firms and 'consumer groups' of various kinds. Danish producer cooperatives, for example, have developed a close relationship with Danish consumer cooperatives (see, for example, Pedersen, 1977). On balance, though, it would be quite wrong to expect consumers' groups to offer active support to an emerging self-managed sector under capitalism.

Turning now to self-management under socialism a similar fragmented picture of different interest groups emerges. Reform-minded communists in Eastern Europe have often advocated self-management (see, for example, Aganbegian, 1988). They are clearly concerned at the alarming spectre of economic problems of Yugoslav type and yet are also attracted by any reform which might democratise socialist societies and increase their economic efficiency. Self-management under socialism would mean the end of 'one-man management' so that, as under capitalism, opposition to self-management is likely to come from the professional managers and technocrats. If any proposed self-managed sector were made to function within the planning framework this opposition might well be attenuated.

Self-management dramatically alters the role and status of professional managers and technocrats (what Galbraith, 1969, calls the 'technostructure'). From being the agents of capital owners, vested with the authority to monitor and discipline workers, they become agents of those workers, accountable to them. Their power is circumscribed and their incomes, relative to those of ordinary workers, may quite possibly be reduced. This has certainly happened at Mondragon, where the dispersion of earnings within the firm is substantially lower in cooperatives than in conventional firms. Managers in cooperatives therefore earn considerably less than they would in conventional firms, but this does not seem to have affected the cooperatives adversely. In general, however, one would not expect managers and technocrats to favour self-management. This is a potentially serious barrier to the introduction of self-management under capitalism despite the experience of Mondragon. Some managerial labour is certainly devoted to the control of the labour process (see Marglin, 1974, for a development of this idea) but there is also a coordinating function of management which is as necessary in a self-managed firm as it is in a conventional one. Various explanations have been advanced to explain the relative absence of managerial problems in Mondragon. Firstly the screening of applicants to join cooperatives (both by requiring a financial stake from members and by means of interviews) probably favours those who are committed to the cooperative ideal; secondly there is relatively little labour mobility for Mondragon managers; and thirdly the strong sense of Basque nationalism reinforces commitment to the system of cooperatives, which is a recognisably Basque phenomenon. None of these factors would be generally applicable to a large-scale system of self-managed enterprises under capitalism. The opposition of professional managers and technocrats is therefore likely to present a real obstacle to the emergence of a self-managed sector under capitalism. Since the 'natural habitat' of the technostructure is the large corporation,

## 2. ANARCHISM

It might be argued that economic self-management is a form of social organisation consistent with the ideology of anarchism, the fundamental principle of which is the rejection of authority, with the possible exception of 'natural authority', exercised by persuasion or force of example. Anarchists take the view that, in general, no person can ever have the right to issue directions to another person who is under an obligation to obey them. Anarchists have traditionally applied this principle to the state, arguing that society can and should be organised without a state of any kind, even a democratic one. The principle might equally be applied to economic organisations such as firms. A self-managed firm is, by definition, one in which management decisions are taken collectively by the workforce and not imposed by a hierarchical management structure acting as agents of capital owners, be they private individuals, private organisations or the state. Self-managed firms do require some form of management structure. Even a system under which all management decisions were taken by majority vote might not be acceptable to the purest anarchist. Anarchists have certainly rejected the democratic state on the grounds that majority voting still entails the 'tyranny of the majority', that is the exercise of authority over dissenting minorities. Would a system under which managers are elected by the workforce be more acceptable to anarchists? There does seem to be a sharp distinction between authority exercised by capital owners or their agents, and authority exercised by managers accountable to the workforce. Given the technological and organisational complexity of modern production it is easy to imagine self-managed firms in which all members can benefit by vesting, albeit temporarily, certain limited authority in specific individuals. Again the purest anarchist would object that, unanimity aside, electing such individuals by majority vote would involve a 'tyranny of the majority'.

Moreover, of course, the exercise of authority, even by elected managers, would still violate the basic principle of anarchism.

Anarchists have traditionally applied their arguments to the state, which they characterise as a compulsory and monopolistic body. That is, all members of a given society are forced to recognise obligations to the state that governs that society and the state claims a monopoly of force over the society it governs, permitting the existence of no competitor. Anarchists reject 'social contract' theories of the state on the grounds that all states claim authority over generations as yet unborn, who could not possibly be parties to any contract. These lines of argument do not seem to apply with such force to self-managed firms. Firstly it is quite consistent with the principles of self-management that there should be in the economy many firms which individuals would be free to seek to join. Thus no one firm could be regarded as compulsory or monopolistic in the sense described above. Moreover, individuals would be free to create new firms by agreement amongst themselves, thus forming 'contracts' without claiming the right to authority over future generations.

There are, of course, many varieties of anarchism, most of which can be regarded as versions of either radical individualism or of anarcho-communism. Thus anarchism may be thought of as having two distinct branches, one on the political Right, the other on the political Left. The radical individualists (such as Nozick, 1974) devote most of their energies to developing various critiques of the state, arguing that its role should be strictly limited and, if possible, eliminated entirely. Radical individualists have great faith in the market (and are sometimes referred to as 'market anarchists') and believe that its domain should be expanded as that of the state is reduced. Generally speaking these Right-wing anarchists are great defenders of capitalism and attribute any failings it may have to meddlesome interference by the state, though it is not clear whether or not the great benefits of the market

the view discussed above that self-managed firms will emerge naturally if they genuinely offer benefits superior to those available elsewhere. The political Left have for some considerable time been searching for a form of enterprise distinct from both public and private enterprise as at present understood. The Left clearly cannot simply leave all economic activity to the private sector and yet the nationalised corporations have obvious limitations. The scope for self-management is clear. Moreover the Left are more likely than the Right to accept the need for state intervention in the market in order to establish an environment suitable for self-managed enterprises. Despite all this, none of the major parties on the European Left place a high priority on self-management in their programmes. Whether this is attributable to lack of vision or to pragmatic political difficulties is not entirely clear.

Since self-management dissolves the distinction between employers and employees it is a form of organisation which, at least in principle, has no room for trade unions, whose function, under capitalism, is to represent employees' interests in bargaining with employers. Nonetheless, trade unions are not uniformly hostile to self-management. At a meeting of the Scandinavian labour movements, held in Oslo in 1907, a resolution was passed recognising the importance of workers' cooperatives, which henceforth became closely linked with the trade union movement and the Scandinavian Social Democratic parties. The rise of anarcho-syndicalism in Spain, discussed above, was part of radical trade unionism, syndicates, in effect, being extended union organisations. The British trade union movement has generally been more hostile to cooperatives, with the exception of a burst of enthusiasm for them on the part of the Wales Trades Union Congress (TUC). Trade unions are likely to support self-management when and if they see their role as transforming capitalism and less likely to do so if they perceive their main responsibility as acting as a pressure group within capitalism.



tal efficiency and it is hard to see how he or she could justify the capitalist labour process in terms of economic efficiency. In fact, the essence of democracy is not merely the accountability of the government to the governed but also the participation of the governed in their own government. It might well be argued that mounting elections every few years does not provide an adequate mechanism for this type of participation. Similarly the view is often expressed that the mere election of a few 'worker directors', in the manner suggested by the Bullock Report (1977) for example, would not be enough to secure adequate worker participation in management decisions.

## 5. POLITICS

Having considered the ideological basis of self-management, I now wish to turn attention to the more practical political question: which interest groups in existing societies will support self-management and which will oppose it? As has been made clear above, self-management does not find a convenient niche in the Left/Right political spectrum and the answer to this question is not, therefore, immediately obvious. Let us consider capitalist societies first. In most such societies the most obvious form of self-management, workers' cooperatives, are supported by political parties of left, right and centre. To the left they represent a kind of micro-socialism, to the right they represent a form of entrepreneurship, while to the centre they give concrete expression to liberal ideals such as decentralisation. The right are less supportive of those alternatives to self-management which come under the heading of industrial democracy. Thatcher's government in Britain, for example, has vigorously opposed the importation from Europe of measures to increase worker participation in conventional firms. Those right-wing parties which base their programmes on unlimited faith in the market generally take

are supposed to depend on competition or simply private ownership. Radical individualists are, however, unlikely to be troubled by the apparently authoritarian character of the capitalist firm. The worker is always free to leave the firm (slavery being prohibited) and to seek employment in an alternative firm or even to start a new firm. The view that the capitalist firm exerts no coercion or authority over its workers is shared by some neoclassical economists, perhaps the best known being Alchian and Demsetz:

It is common to see the firm characterized by the power to settle issues by fiat, by authority, or by disciplinary action superior to that available in the conventional market. This is delusion ... [The firm] has no power of fiat, no disciplinary action any different in the slightest degree from ordinary market contracting between any two people. {Alchian and Demsetz, 1972)

Provided the notion of 'contract' can jump the hurdle of ideological respectability then the capitalist firm presents no difficulties for the radical individualists. It is worth noting in passing that even contracts were not ideologically acceptable to some extreme anarchists such as Stimer (1921), who based his anarchist views on a philosophy of extreme egoism. Radical individualists are unlikely to oppose self-management but would certainly not support state activity to promote it. In fact they would probably take the view that a free and untrammelled market would allow self-managed firms to emerge when and if they offered superior benefits to their members than do other forms of enterprise.

Anarcho-communists such as Kropotkin, Bakunin and Malatesta share the common anarchist rejection of authority and seek a society organised without a state of any kind. They are certainly not defenders of capitalism, regarding it

as an outgrowth of the state and dependent on the power of the state for its survival. Neither do they have any great faith in the market, viewing it as at best irrelevant and at worst exploitative. Anarcho-communists, unlike the Marxists with whom they argued so vigorously, place great weight on a particular notion of human nature. Though they have disagreed extensively among themselves as to the origin and character of human nature, some common features emerge. Firstly the 'natural' relationship between human beings is one of cooperation and solidarity rather than competition and aggression. Secondly capitalism is likely to attenuate, though not entirely eliminate, this sense of solidarity. Last vestiges of it might, for example, be observed in the (British) Blood Transfusion Service in which blood donors voluntarily give their blood, without payment, for the benefit of patients they will never know personally. Once capitalism has been abolished this sense of solidarity and cooperation will find its natural expression in the form of economic organisation adopted in an anarchist society.

Anarcho-communists are likely to be attracted to self-management as a way of organising the firm. The often mentioned difficulties of decision taking without coercive management would be of little significance if the anarcho-communists' view of human nature is correct. It has frequently been observed, for example in the American plywood cooperatives (Jackall and Levin, 1984) and the Mondragon cooperatives (Thomas and Logan, 1982), that self-managed firms use much less labour for monitoring and supervision (foremen and so on) than do conventional firms. Behaviour within self-managed firms is usually reasonably cooperative and their workforces exert discipline upon themselves rather than having it imposed by a hierarchical management. This to some extent bears out the views of the anarcho-communists but it is important to note that the firms in question are usually small enough for most members to know each other personally. In addition

To this might be added the fact that late capitalism has brought almost universal *political* democracy and yet *industrial* democracy remains largely a matter for discussion rather than implementation. Political leaders are elected by those whom they seek to govern and yet managers are not elected by those whom they seek to manage. Marxists have devoted considerable energy to analysing the capitalist labour process (see, for example, Brighton Labour Process Group, 1977) which they regard as coercive. Whether or not Alchian and Demsetz should be regarded as 'free-traders vulgaris' it is evident from the quote in section 2 above that they do not share this view of the capitalist labour process. It is the question of democracy and its extension from the political to the economic sphere which must lie at the heart of any analysis of the relationship between self-management and the various broader ideologies.

Alchian and Demsetz argue that most modern production takes the form of team production in which marginal products of the cooperating individuals cannot be separated. This creates the need for monitoring of the labour process and, when monitoring costs are positive, the ultimate monitor must be the residual claimant or residual claimant's agent. Moreover, they argue, this residual claimant must be a capital owner. Thus the capitalist labour process is justified in terms of its efficiency properties, though it is recognised that other types of labour process, including even that of the workers' cooperative, may be appropriate in certain limited circumstances. A similar justification, in terms of efficiency, is developed by Williamson (1980). The problem with these analyses is two-fold. Firstly they regard individuals' preferences as covering only consumption, when in fact most individuals are concerned about the quality of their working lives as well as about consumption. Secondly a sense of solidarity and community within the workplace can have very real economic effects, for example on productivity. This point is developed by Sen (1966). In any event, a democrat could not justify dictatorship in terms of improved government-

tive, evil. For Marxists, of course, capitalist production is central to the analysis and the state is part of the social and political 'superstructure'. Marxists have long been impressed by the contrast between the democratic nature of capitalism outside the sphere of production and the hierarchical and coercive nature of the labour process within the capitalist firm. This contrast is clearly expressed by Marx himself:

The sphere of circulation or commodity exchange, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, let us say of labour-power, are determined only by their own free will. They contract as free persons who are equal before the law ... Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to his own advantage ... When we leave this sphere of simple circulation or the exchange of commodities, which provides the 'free-trader vulgaris' with his views ... a certain change takes place, or so it appears, in the physiognomy of our dramatis personae. He who was previously the money-owner now strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but- a tanning. (Marx, *Capital*, vol. I)

they may well have been accepted for membership partially because of a pre-established commitment to cooperative ideals. Furthermore, their sense of solidarity may be buttressed by a strong sense of national or regional identity. These arguments are discussed by Bradley and Gelb (1982) in the context of the Mondragon cooperatives.

Anarcho-communists would not accept the idea of self-managed firms competing with each other in a system of markets. Neither, for obvious reasons, would they accept state command planning. There remains, therefore, the problem of coordinating economic activity both in the sense of imposing consistency on the decisions of countless different producers and in the sense of transmitting to producers the wishes of consumers. Anarcho-communists have frequently argued that replacing capitalism with an anarchist society would release a vast productive potential hitherto repressed by capitalism. The consequent increase in productivity would make goods available in much greater abundance than was the case under capitalism. Moreover, capitalism creates many artificial wants (perhaps through activities such as advertising and marketing). For these reasons anarcho-communists have often argued that the problem of economic coordination would be very much less serious in an anarchist society than it is under capitalism. Nonetheless, the anarcho-communists' solutions to the problem of economic coordination have been somewhat vague, to say the least, though some notion of their solutions can be derived from their attempts to implement their ideas in practice.

While there have been countless experiments in anarchist-inspired communal living, from Godwin to the present-day post-hippy generation, perhaps the most interesting was related to the rise of anarcho-syndicalism in pre-Civil War Spain. Well over one thousand collectives were formed both in agriculture and industry and were responsible for a substantial proportion of the output of the Spanish economy. Within

each collective goods were sometimes simply placed in a large storehouse and each member allowed to take whatever he or she needed. Such an arrangement was unusual, however, and was usually supplemented or replaced by either a system of rationing or a system of distribution against an allowance paid to each household. Coordination between collectives was more problematical, however. The anarchist ideal of reciprocal giving met with little success in practice and was usually replaced by barter or straightforward cash transactions, both forms of market activity.

### 3. MARXISM

Anarchism has been the target of sustained attack from a Marxist perspective. Marx himself mounts a lengthy attack on Proudhon in *The Poverty of Philosophy* while Bakunin and Kropotkin have engaged in lengthy and bitter debate with Marxists. Part of the argument surrounds the philosophy of history which was central to the Marxist position and part surrounds the issue of political action. Unsurprisingly anarchists totally reject the notion of a 'dictatorship of the proletariat' and the powerful centralised state that this entails. Their theory of political action entails direct seizure of the means of production by the workers and peasants, with only a limited role for a 'vanguard party'. Marxists took the view that capitalism would concentrate and centralise the means of production, creating an economy ready for central planning (see, for example, Lenin, 1933). To what extent is the Marxist position consistent with self-management? In Marxist theory a prerequisite of capitalism is the separation of labour from the means of production and the consequent emergence of a labour market. Self-management re-unites labour with the means of production and, in so doing, abolishes the labour market. It cannot, therefore, be regarded from the Marxist

viewpoint as a type of capitalism. Some of the peculiar characteristics of the self-managed economy stem from the absence of a labour market from such an economy. A system of market self-management in which labour power is not a commodity and which has no capitalist class clearly cannot 'exploit' living labour in the Marxist sense. Note that the private ownership of capital, taken above as the defining characteristic of capitalism, is, in the Marxist view, a secondary or derived characteristic.

There remains the question as to whether self-management can be regarded as a stable system or whether it must ultimately transmute into capitalism or state socialism. Marxists have tended to place the emphasis here on the role of markets, sometimes suggesting that any introduction of markets into a socialist economy will lead to a reversion to capitalism, regardless of the nature of the individual enterprise (see, for example, Bettelheim, 1976). It follows from this position that self-managed firms will not survive for long in a market economy. It has often been argued that self-managed firms within a market economy will ultimately be forced into behaviour and organisational patterns indistinguishable from those of capitalist firms. This proposition is often referred to as the 'degeneration thesis'. It is worth noting that Marxists have traditionally viewed socialism as a transition stage and argued that the state will eventually 'wither away', leading to communism. This view was developed by the Yugoslav communists (among others). It leads Marxists to a position not dissimilar to that of the anarcho-communists and with the same central difficulty. How is economic activity to be coordinated without markets or a plan?

### 4. DEMOCRACY

Anarchists regard the state, even the democratic state, as the central evil and capitalist production as a secondary, deriva-