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System of Economic Contradictions or, *The Philosophy of Poverty*

Pierre-Joseph Proudhon

Pierre-Joseph Proudhon made his name with his first *Memoir* on property, 1840's "**What is Property?**" After two more *Memoirs* in 1841 and 1842, his next major work was 1846's "**System of Economic Contradictions**" in which he first used "mutualism" to describe his libertarian socialism (inspired by the workers in Lyons where he stayed in 1843).

Only the first volume has been translated into English, although here I cover both. As with later anarchists, Proudhon critiques and rejects the twin evils of capitalism ("monopoly and what follows") and nationalisation ("exploitation by the State") in favour of "a solution based upon equality, – in other words, the organisation of labour, which involves the negation of political economy and the end of property."

Rejecting the utopian socialists and their visions, Proudhon analysed how the actual economy was changing and built a social-

ism rooted in that evolution. He argued that capitalism was the latest economy of many, denouncing “the radical vice of political economy” of “affirming as a definitive state a transitory condition, – namely, the division of society into patricians and *proletaires*” which is “distinguished by a special characteristic: WAGE-LABOUR.” As political economy defends this “inadequate and transitory” form of organising labour, it “is truly the theory of misfortune and the organisation of misery” as well as a fertile source for apologetics: “Political economy – that is, proprietary despotism – can never be in the wrong: it must be the proletariat.”

A key contribution to socialist theory is Proudhon’s analysis of how exploitation occurs in production. Labour, he argued, produces value only as *active* labour engaged in the production process: “Labour is said to have value, not as merchandise itself, but in view of the values supposed to be contained in it potentially. The value of labour is a figurative expression, an anticipation of effect from cause ... it becomes a reality through its product.” Consequently, when workers are hired by a boss there is no guarantee that the value of the goods produced equals their wage. The boss controls both product *and* labour:

“Do you know what it is to be a wage-worker? It is to labour under a master, watchful for his prejudices even more than for his orders ... It is to have no mind of your own ... to know no stimulus save your daily bread and the fear of losing your job.

“The wage-worker is a man to whom the property owner who hires him says: What you have to make is none of your business; you do not control it.”

Thus the capitalist firm “with its hierarchical organisation” meant workers had “parted with their liberty” and “have sold their arms” to a boss who exploits them:

“the labourer ... create[s], on top of his subsistence, a capital always greater. Under the regime of property, the surplus of labour, essentially collective, passes entirely, like the revenue, to the proprietor...”

torted Proudhon's ideas and how Marxists (and a few libertarians!) parrot those misrepresentations to this day.

“The consequence of that usurpation is that the labourer, whose share of the collective product is constantly confiscated by the entrepreneur, is always on his uppers, while the capitalist is always in profit ... political economy, that upholds and advocates that regime, is the theory of theft.”

He critically discusses many subjects – division of labour, machinery, competition, monopoly, etc. – and shows their contradictions when applied within capitalism. So machinery “promised us an increase of wealth” but also produced “an increase of poverty” as well as bringing “us slavery” and so increased “the abyss which separates the class that commands and enjoys from the class that obeys and suffers.”

Such contradictions could only be solved by transcending capitalism. While Proudhon prefaces his work with the Latin for “I shall destroy and I shall build” there is far more of the former than the later. However, glimpses of his alternative come through in his critique, confirming his claim that “to unfold the system of economical contradictions is to lay the foundations of universal association.”

Given his analysis of how exploitation occurred in production and the authoritarian nature of the capitalist workplace, this is reflected in Proudhon's arguments for workers' associations and socialisation. As “all labour must leave a surplus, all wages [must] be equal to product” and so “[b]y virtue of the principle of collective force, labourers are the equals and associates of their leaders.” There would be free access to the means of life (workplaces “should allow access to all who might present themselves”), self-management (all workers “to straightway enjoy the rights and prerogatives of associates and even managers”) and workers co-operatives: “it is necessary to destroy ... the predominance of capital over labour, to change the relations between employer and worker... it is necessary to ORGANISE LABOUR.”

Myths notwithstanding, he considered a return to small-scale production “retrograde” and “impossible.” With labour “socialised”

and organised, mutualism would ensure “equality of fortunes, voluntary and free association, universal solidarity, material comfort and luxury, and public order without prisons, courts, police, or hangmen.”

Another important contribution to anarchist theory is Proudhon’s analysis of the state as an instrument of class rule which cannot be captured for social reform. The state, he stressed, is “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.” Hence the need for change by the workers themselves as “socialism loudly declares itself anarchistic” and social life “springs up and grows from below.”

He was well of the class nature of capitalism, arguing that “the war that you have to sustain” is “a war of labour against capital; a war of liberty against authority” and recognising the oscillations of profits and wages “are the most salient episodes and the most remarkable phases of the war between labour and capital”. Thus the “problem before the labouring classes... consists not in capturing, but in subduing both power and monopoly, – that is, in generating from the bowels of the people, from the depths of labour, a greater authority, a more potent fact, which shall envelop capital and the state and subjugate them.”

While you may think Proudhon, like revolutionary anarchists, would have applied this insight to the labour movement, he did not. He was against strikes and unions, arguing they would simply increase prices and “is not by such methods” that workers “will attain to wealth and – what is a thousand times more precious than wealth – liberty.” Few anarchists today would agree – and rightly so! Instead, we argue that unions and workers councils must be the basis of the “agricultural and industrial combination” which Proudhon argued would ensure that “power, today the ruler of society, shall become its slave.”

Before finishing, Marx’s “**The Poverty of Philosophy**” must be mentioned. While Marx makes some valid points (Proudhon’s

“constituted value” *is* under-developed and his opposition to unions *is* misguided), his selective quoting, quote tampering and false attribution drain those of value. It can only be taken seriously if you have not read Proudhon’s work as can be seen when Marx ignores his critique of bourgeois relations within production and proclaims his “whole system rests on the labour commodity, on labour which is trafficked, bought and sold, exchanged for products.”

While Proudhon’s reformist market socialism needs a (libertarian) communist critique, Marx’s book with its confusions, distortions and inventions has little to offer such a task. In contrast, Proudhon’s critiques of *state* socialism have proven prescient.

Marx’s task was aided by the book being badly organised. By breaking his critique into specific “epochs” it makes it harder to show the interrelationships between them. It also makes understanding both Proudhon’s critique of capitalism and vision of a better future much harder as related aspects of both as scattered in different chapters (a key insight into his theory of association is mentioned, in passing, in his discussion of God!). This presentation may also make the casual reader think that Proudhon was presenting a historical account but no: “we are not constructing a history in accordance with the order of events, but in accordance with the succession of ideas. The economic phases or categories are now contemporary, now inverted, in their manifestation.” Marx, deliberately or not, fell into that misunderstanding. Evidence *is* marshalled to bolster his arguments but within a framework which can, at times, appear less materialist than it actually is.

In short, it is a book with important insights and critiques as well as parts which are under-developed, tedious, obscure and, such as opposing strikes, simply wrong. Acknowledging its faults that should not put you off reading it – when Proudhon gets it right his arguments *are* cogent, significant and have become standard aspects of anarchist theory. With an open mind and patience, the reader will gain a lot – not least an appreciation of how Marx dis-