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Review: Radical Economics and Labor

Anarcho

December 19, 2011

The revolutionary union the *Industrial Workers of the World* marked its 100th anniversary in 2005. To mark this event a conference was held at the University of Missouri-Kansas City, hosted by the editors (Fred Lee and Jon Bekken) of this useful selection of talks from it. As well as an introduction, this book has ten chapters on a wide range of subjects on something often not much discussed in radical circles, political economy.

The first three chapters discuss aspects of the history of radical economics. The first, Noel Thompson's "Senex's *Letters on Associated Labour* and *The Pioneer*, 1834", discusses working class socialism in 1830s Britain. Focusing upon a series of letters published in the paper *The Pioneer*, it discusses the proto-syndicalist ideas of British socialists who had formulated both a critique of wage-labour (hired labour) and a vision of *associated* (free) labour to replace it. The aim was, to quote Letter XII, to "banish the word wages from the language and consign it, with the word slavery, to histories and dictionaries." (18).

This vision was one of co-operative market socialism, predating Proudhon's vision – even down to the idea of establishing

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a bank. (16) Strangely, the introduction calls this an “almost proto-Marxist” (5) political economy so failing, like the article itself, to mention, never mind discuss, the clear links to Proudhon’s mutualism (who presented a critique of wage-labour that also predated Marx’s). Unsurprisingly given the nature of the conference, Thompson stresses the links to syndicalism and the IWW yet while these aimed to end “the commodification of labour” and ensure “decentralised economic decision-making” (22) both tended to aim for communism rather than have fair prices.

The second chapter, Jon Bekken’s “Peter Kropotkin’s anarchist economics for a new society”, is exceptional. Bekken makes the key point that Kropotkin’s economics “arose out an engagement with the workers’ movement of his day” and so reflected “not abstract principles” but rather was “honed in workers’ struggles and debates.” (27) This chapter covers almost all aspects of Kropotkin’s vision for communist-anarchism, presenting an excellent introduction to his ideas and ideals.

Bekken correctly stresses that Kropotkin argued what is efficient under capitalism may not be technically efficient but rather established “to facilitate manager control” (30) and “facilitate market domination and control.” (40) Sadly, most on the left still follow Lenin in proclaiming the “efficiency” of large-scale production and so fail to comprehend that this is based on *capitalist* definitions of efficiency and economy and so on *capitalist* criteria! That Marxism bases itself on centralised, large scale industry because it is more “efficient” and “economic” suggests nothing less than that its “socialism” will be based on the same priorities of capitalism. This can be seen from Lenin’s idea that Russia had to learn from the advanced capitalist countries, that there was only one way to develop production and that was by adopting capitalist methods of “rationalisation” and management. Thus, for Lenin in early 1918 “our task is to study the state capitalism of the Germans, to spare *no*

been addressing the issue for some time? The essays, though, are about relevant subjects for the IWW in its second century and do their inspiration justice.

Radical Economics and Labor: Essays inspired by the IWW Centennial

Edited by Frederic S. Lee and Jon Bekken
Routledge Advances in Heterodox Economics
Routledge
New York
2009

effort in copying it and not to shrink from adopting *dictatorial* methods to hasten the copying of it.”

Kropotkin was right to argue that socialism will need to develop *new* forms of economic organisation based on socialist principles. Thus we find Kropotkin arguing for the division of work against the division of labour, the latter being “inefficient – demoralising and fatiguing workers and stripping them of the knowledge and the means necessary to innovate in their work.” (39) The need was for the wealth of society (workplaces, lands, housing, roads, etc.) “must be socialised and marshalled to meet the needs of the entire society.” (30)

Bekken rightly notes that Kropotkin recognised that workers are exploited by capital. “If workers could meet their daily needs without hiring out their labour power,” he summarises, “few would consent to surrender their control over their own labour in order to work for wages” which are “a mere fraction of the goods they produce.” (31) He also presents Kropotkin critique of the Labour Theory of Value (28–9) although this will not necessarily convince someone familiar with all of Marx’s work. This is because while Kropotkin was right to point out Marx argued that prices were “proportional” to “the amount of labour necessary for production” (28) this ignores that this was in volume 1 of *Capital* and was related to a simplifying assumption (namely, the same level of investment in all workplaces) which was later dropped in volume 3. Similarly, volume 1 does not actually suggest that commodity’s price is equal to its labour-cost (i.e., exchange value) independently of “external markets and social conditions” (28) but rather that prices are regulated by their cost of production towards which market prices are tending. However to be fair to Kropotkin, Marx mentioned this in a footnote.

So market prices are influenced by competition and, in the case of labour, Marx argued that wages were influenced by moral and historical factors (i.e., “social conditions”). Bekken is right to argue that “wage levels have little to do with the

cost of reproduction” but rather “the relative economic, military and social power held by the respective parties.” (29) Marx did *not* explore how recognising that wages have a historical and moral element impacted on his core aim to reconcile exploitation of labour with goods selling at their values (cost of production). Similarly, he abstracted from (i.e., ignored!) class struggle in all three volumes of *Capital*, making these comments extremely relevant.

Finally, Bekken is correct to note the current poverty in the radical visions presented today that “many socialists still accept the wage system and money” (40) and, again rightly, points to Parecon (43) as an example. He fails to discuss Kropotkin’s ideas on the process of revolutionary change and transition (which Kropotkin considered as taking 4 or 5 years, as per the Great French Revolution). He does mention that Kropotkin argued that goods in short supply should be rationed during a revolution but does not discuss in the early stages of a social revolution all forms of money can/will be abolished. As no social revolution has so far done so, it is a valid question to discuss in light of this. To be fair, most would rightly consider this outside the scope of the article. Suffice to say, this is a different issue than systems like Parecon which envision money being used forever.

So an altogether impressive summary of Kropotkin’s ideas but while chapter 2 is extremely good, the next one by Matthew Forstater (“Some notes on anarchist economic thought”) is disappointing. It tries to cover too much in too little space and so is lacking. At times it is extremely superficial. For example, he rightly rejects addressing “anarcho-capitalism” when discussing anarchist economic ideas but he proclaims that this “should more properly be called *libertarian*”! (46) Now, if anarchists acquiesce to the capitalist-right stealing the good name libertarian to describe their authoritarian, albeit privately hierarchical, ideology then what is the point?

that “[u]nder Stalinism trades unions were totally controlled by the party and their character changed so that they could function as an element of the state.” (153) In fact, this had happened under Lenin and Trotsky (with the latter keen to militarise labour and abolish *all* union independence rather than most of it as Lenin did). Finally, those class warriors Bakunin, Kropotkin and Goldman would have been surprised to read about “class, consciousness, and conflict as articulated by Karl Marx and his followers.” (145)

Marangos stresses the “importance of culture, history, working rules, conflict, power, inequality, and government” (144) to economic theory. That mainstream economic ideology ignores all this (and, moreover, was designed to exclude it) shows the importance of Institutionalism and other forms of heterodox economics.

The last two chapters are more practically focused. Chapter 9 is a discussion of offshoring and outsourcing production in low-income countries and its impact on labour. This, of course, is extremely relevant to a union with global aspirations like the IWW but to ponder whether this is a “new” era of capitalism seems misplaced, given that Bakunin was arguing for global unionism in the First International back in the 1860s. Unfortunately, its conclusions are reformist. The final chapter is an analysis of a real struggle, namely the bank workers’ union movement in Brazil between 1994 and 2004. Suffice to say, more articles like this would be helpful for workers to learn from the struggles of others and it is a fitting end for a book inspired by the IWW.

So, a mixed bag. Some articles are excellent and will be read by activists and academics with great interest and benefit (Bekken on Kropotkin and Aspromourgos on Saffra spring to mind) while others are useful introductions for further reading/research (Thompson on Senex and Pack on Galbraith). Some would definitely benefit from a reading of libertarian theory – suffice to say, why squeeze in Marxism when anarchism has

and Emma Goldman should go without saying. As for centralism, perhaps this *may* be true within the Marxist wing of socialism but libertarian socialists had been opposing it since the 1840s. Surely they are aware of the likes of Proudhon, Bakunin and Kropotkin?

So there is nothing wrong as such with much of what they argue, it just seems incredulous that they think this is something new and that we should be grateful for the Marxist tradition for it!

In Chapter 8 John Marangos discusses “Labor during transition” in the ex-Stalinist countries from an Institutionalistic economics perspective. This is a useful summary of the terrible impact of the implementation of neo-classical economic dogma after the fall of the Warsaw Pact. As he suggests, the “cultural and institutional conditions of existence were ignored accounts for the disastrous results” (143) while “real wages declined, working conditions deteriorated, and unemployment and poverty was instituted as a permanent feature of the labour market.” (155) Moreover, the state acted to “curtail the development of embryonic labour unions” and “to institutionalise management’s power” (153) This is unsurprising given that it was class war that was being waged during this time, although perhaps it is just the academic tone of this chapter which gives the impression its author is surprised by it!

Marangos is right to mention Karl Polanyi and his argument that there is nothing “natural” about free-market capitalism, that the state acts to create “fictitious commodity” like labour and land in the initial rise of capitalism and that it was the state which did so in the ex-Stalinist regimes as well. As such, his chapter is a useful introduction to the power of Institutionalistic economic analysis. However, there are aspects of his account which are debatable, not least the assertion that these regimes moved “to capitalism.” (143) It would be more accurate to state they were going from state-capitalism to market-capitalism. He also makes the inaccurate assertion

Forstater is right that anarchism “is not only opposed to the State, but also capitalism” he is just wrong to think that it is only anarchism “in this sense” which is so. Anarchism, from the start, has always been anti-capitalist and anti-state and so to oppose just the latter is not libertarian in any sense of the word (as is more than confirmed if you read “anarcho-capitalist” ideologues). So it is not quite right to state, like Forstater, that “anarchists share many of the traditional socialist positions opposing capitalism” and that we “part from socialists on a number of accounts.” Anarchists are libertarian socialists, so we part with *state* socialists on key issues. As for sharing “socialist positions”, anarchists have often been first in advocating them (for example, Proudhon predated Marx’s theory of surplus-value being the result of exploitation in production caused by wage-labour by a few decades!).

Another example of the essay’s superficial nature is the repeating of the stereotype that anarchists favour “small” levels of production and these must “not be at a scale beyond the needs of the local production” (47) While Marxist diatribes against anarchism proclaim this with abandon, it is sad to see it here. Particularly when the *correct* position is stated on the next page, namely that anarchists “embrace the notion of appropriate (or intermediate) technology, that is, utilising organisational and technological means that are ecologically, politically, socially and economically appropriate.” (49) Thus we find Kropotkin stating that “if we analyse the modern industries, we soon discover that for some of them the co-operation of hundred, even thousands, of workers gathered at the same spot is really necessary. The great iron works and mining enterprises decidedly belong to that category; oceanic steamers cannot be built in village factories.” Similar arguments can be found in Proudhon.

It also seems strange to read that anarchists view “municipal confederalism” as “the basis for alternative economic planning” (48) given that we have been arguing for economic federalism

since Proudhon! Pointing to Braverman's "distinction between the social division of labour and the detail worker, and his conclusion" (48) is equally perplexing given this is also found in Proudhon's work. It gets worse when he states the "Marxist approach may offer help" by suggesting "an historic approach" (51) when this was precisely Proudhon's argument in *System of Economic Contradictions* – not to mention the French anarchist's general influence on Marx!

So this is weak chapter, promising far more than it delivers. The next two chapters are inspired by Piero Sraffa's economic analysis and, ironically, come to completely opposite conclusions. Frederic S. Lee's "The economics of the Industrial Workers of the World: Job control and revolution" does not convince. The logic of his argument, backed up by numerous equations, is that "direct action designed to affect the 'real wage' for the working class by altering the money wage is not possible" and that "direct action for increasing job control is necessary." (72) While the current economic crisis may make you think otherwise, Lee argues that the "amount of surplus is determined by the capitalist class and by the state" and "the only limit to profits is how many goods and services the capitalists and state want." (69) If this were the case, why are bosses so keen to resist pay rises and unionisation? Or how can there be periodic general crisis periods when capital simply cannot make a profit? This is not to suggest that fighting for job control is not important, simply that this must be done *in addition to* fighting for wage increases – something this essay would end if taken to heart by workers.

While Lee is right to state that "Marxian and anarchist economic theory and critiques of capitalism draw largely on the same body of ideas" and that "their analysis is similar if not identical in many respects," (73) he fails to note that anarchists generally argued it first (although perhaps not to the same depth) and, his arguments to the otherwise not withstanding, we were correct to root exploitation in production and seek a

economics (only a few years before applying his ideas refuted them!). History, though, will judge them more accurately than their obituaries in the mainstream economics press did!

This chapter is followed by one presenting a feminist-Marxist critique of "the academic field of industrial relations" by Richard McIntyre and Michael Hillard. This is extremely Marxist, so much so in fact that it seems to equate class analysis with Marx (116) and links "inequality of bargaining power, management authoritarianism, and workers' economic insecurity" solely to *Capital* in spite of Proudhon raising these 27 years previously. (117) While bemoaning the academics for ignoring Marx, they are keen to present long-standing anarchist positions as innovations from Marxism! Thus they present an expanded definition of the working class as "everyone subordinated to capital" and so "there is no longer a special significance to the industrial working class" (124) that Bakunin would have agreed with. Similarly, they note that primitive accumulation was "treated by Marx mostly as an historical phenomenon" but is "in fact a key site of conflict in the contemporary world" (124) so repeating Kropotkin's critique of 1912:

"What, then, is the use of talking, with Marx, about the 'primitive accumulation' – as if this... were a thing of the past?... nowhere has the system of 'non-intervention of the State' ever existed... The State has *always* interfered in the economic life in favour of the capitalist exploiter... *And it could not be otherwise.* To do so was one of the functions – the chief mission – of the State."

But, then, they proclaim that Rosa Luxemburg "was perhaps the first and most important radical to understand and advocate for community-based militancy, one that included women and eschewed centralism"! (130) That this ignoring, say, the community organising by Spanish anarchists from the 1860s onwards (see, for example, Temma Kaplan's *Anarchists of Andalusia 1868–1903*) and the likes of Louise Michel, Lucy Parsons

short, the “managerial class has been making out like bandits” with the amount of “surplus value being appropriated ... getting larger.” (104) Interesting, and rightly, Pack links the declining/stagnating wages of workers with longer hours and more family members working and notes this implies we are on the “backward bending part of their labour supply function.” (109) He also notes how the elite has used the wealth flooding upwards to promote “pro-capitalist cultural hegemony and movements” including “research centres” and “partisan news media and commentators.” (106)

Pack also discusses where Galbraith’s vision went wrong, based in part on Galbraith’s own reflections on his ideas. Thus Galbraith “underestimated the intensity of the class struggle and the power of the capitalists, the formal owners of the means of production” (i.e., the rentier class), that the US was not “a closed economic system” (105) and that he had “overemphasised the competence and ability of the technostructure.” (107) Ultimately, he underestimated how willing the capitalist class would be to let enlightened liberal intellectuals get into office in order to do the right thing.

Yet insofar as he described and understood reality, Galbraith is useful to radicals today – and it was this feature of his work which ensured his hatred by the right along with his use of his wit to critique their self-serving positions – it is fair to say that his work can only *contribute* to our understanding of capitalism, an understanding which must have its foundations in revolutionary thinkers (in all senses of the word). As Pack notes, “Galbraith was not a radical” but his and the radical’s “view of the state of the world may not be that far apart.” (108) Suffice to say, compared to his great rival of his lifetime, Milton Friedman, Galbraith was a far better economist who based his ideas on reality, not the myths of neo-classical economics. Sadly, as Galbraith was on the side of the many (even if somewhat paternalistically) and did not enrich and empower the few as Friedman did, it was his rival who got the so-called Nobel Prize in

solution there. To state “the Marxian-anarcho-syndicalist arguments for direct action” (55) seems problematic given that the original Marxian position was that workers should use “political action” (voting) to seize power and syndicalist arguments for direct action developed in opposition to them (directly, in the case of Bakunin and the libertarian wing of the First International).

Which brings us to Tony Aspromourgos’ “Economic Science and the Left: Thoughts on Sraffa’s equations and the efficiency of organised labor.” This is a much better use of Sraffa’s theoretical legacy, producing an excellent introduction to both his ideas and why they can be useful for rebel workers. This is because of its emphasis on the impact of class struggle on the distribution of income in an economy.

Unlike the neo-classical ideology that sees factors of production receiving their rightful “contributions” to a commodity automatically, Saffra’s model points to the fact that “the division of surplus between labour and capital is open to contest by wider forces, by social forces.” (81) This allows the impact of working class strength to be included in the analysis of the economy. Thus workers can, by struggle, influence the real wage, income distribution and profit rates (as they are, in the Saffrian analysis) “given from outside the system of price equations” it uses to model the economy. (81) The truth of this can be seen, as Aspromourgos notes, by the attitude of bosses to workers organising for “if unions were so impotent to affect outcomes, the Right would not be so determined to curtail” them. (90)

In short, regardless of neo-classical claims otherwise, “capitalism in and of itself does not require a unique outcome for the wage share and associated profitability of capital.” (82) Class struggle plays a key role – hence the support by capitalists of economic ideologies that deny it. As Aspromourgos, this means that economics is “a subject close to the (greedy) hearts of vested material interests” and so “extremely attractive for”

and “very vulnerable to, ideological capture.” He uses the example of Chemists and how their political views are unlikely to be “pertinent to the scientific status” of their work – unlike economists! (83) How very true.

Also true is his conclusion, namely that this analysis gives the boss class “a rational basis to pursue class struggle” (86) – which, of course, they do. Aspromourgos also recognises its importance for us, for “this provides ‘space’ for organised labour to influence, and influence persistently (not merely temporarily), the distribution between wage and non-wage income.” (85) He then spoils it by stating “it is also open to organised labour to vigorously support political parties that project policies” that “advance” working class interests. (87) It is almost like the last 150-plus years of trying this has not happened for many radicals! Suffice to say, we should not ignore political power (and no anarchist, Marxist myths notwithstanding, has ever suggested that) but rather than we recognise that electioneering has been the Achilles’ heel of socialism, becoming as reformist as Bakunin predicted.

Finally, Aspromourgos indicates how Sraffa’s work has “destructive implications” for “marginalist capital theory (and thereby, it should be said, for the whole marginalist edifice).” (78) So it must be stressed that while the bruising debates of the 1960s (usually called the Cambridge Capital Controversy) saw the neo-classical economists lose to the Sraffa-inspired radicals (led by Joan Robinson), the mainstream economics professions continued on as if nothing had happened...

So this is an important chapter and one all radicals should read to get a better idea of why knowing economic theory (and its history) is important! And talking of which, the next chapter by Spencer J.Pack (“John Kenneth Galbraith’s new industrial state 40 years later”) usefully discusses an intellectual giant of post-war economic thought, left-liberal John Kenneth Galbraith.

Galbraith was America’s leading Keynesian and Institutionalist economist (with some post-Keynesians claiming him also) and Pack presents a good introduction and evaluation of his ideas and works, its strengths and weaknesses. Thus Pack notes that class struggle was “insufficiently stressed” (96) by Galbraith and that he “paid insufficient attention” to the global nature of capitalism (97) but like Galbraith does not really discuss the stock market and rentier interests (like Keynes, Galbraith underestimated how willing these were to undergo euthanasia). On the positive side, Galbraith described capitalism as it was, not what the ideology proclaimed it and so “the nature and role of big business” was “always a central concern in his writings.” (101) He rightly placed planning at the heart of the modern corporate dominated economy, discussing their attempts to “try to gain control over what is sold and what is supplied to minimise or get rid of disruptive market influences” (101) and uncertainty. It was this ever-expanding capitalist planning based on one criteria (profit) which Marx so tragically confused with a requirement for (even more) centralised social planning under socialism.

Moreover, Galbraith’s ideas on “countervailing power” are important, even if we must ignore his hope that the (capitalist!) government would “help organise countervailing powers.” (98) He was right that countervailing power “is needed to counter original economic power” (98) but there is no requirement for it, as can be seen for the last 30 years of neo-liberalism. Indeed a powerful case can be made that our current problems flow from the fact that the people in charge of big business have no unions around to hold back the imposing of their craziest visions on their companies (and so society).

Pack usefully discusses the impact of this destruction on workers’ living standards, noting “stagnant living standards” with “all gains in productivity” going “to the capitalists and their hired managers” and so the real wage for non-supervisory workers “has been falling since 1973.” (105) In