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What Is Mutualism?

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While Karl Marx hated Pierre-Joseph Proudhon and his philosophy of mutualism, a libertarian can find in it much to appreciate.

Mutualism, as a particular strain of anarchist thought, develops from a search for equilibrium, for the spontaneous balance of economic forces.¹ At its most basic, mutualism is an ethical principle at the center of which is “*mutuality or reciprocity*—the Golden Rule.” The most important theoretician of mutualism is, of course, the French anarchist Pierre-Joseph Proudhon (1809-1865), who developed a unique antiauthoritarian socialism in which federated workers and craftsmen would exercise local, horizontal self-control, freed from the domination of monopoly capital. In Proudhon’s mutualism, individuals deal with one another as co-equal producers, as essentially *economic* actors, no one empowered to compel obedience. Proudhon’s principles of mutuality and reciprocity, this respect for others as co-equals, lead him to something akin to the libertarian law of equal freedom found in Herbert Spencer.

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¹ John Ehrenberg, *Proudhon and His Age* (University of Michigan 1996), page 137.

“Exercise your right,” he says, “so far as it does not injure the right of others.”² As we have discussed elsewhere, the influence of the radical liberal pioneers of class theory—“industrialist” liberals like Charles Comte and Charles Dunoyer—is here clearly in evidence (Proudhon, like these radical liberals, envisioned the gradual replacement of the political system by the peaceful, equitable administration of the economy). The economic and the political are, in mutualism, arrayed against one another as opposites, the political principle throwing economic forces out of balance, creating an unnecessary, socially destructive contest between capital and labor. Thus mutualism may be regarded as a species of socialism insofar as it seeks to socialize the means of production by way of federalism, free exchange, and free credit. Indeed, the mutual banking ideas of Proudhon and William Batchelder Greene may be the most distinctive and enduring ideas associated with mutualism more generally.

Many contemporary libertarians come by their awareness of these mutual banking ideas through reading Murray Rothbard, whose own political (if not economic) ideas were influenced by the American individualist anarchist successors of the mutualists Proudhon and Greene. Rothbard thought the mutualist free bankers deluded “money cranks,” misled by the economically illiterate idea that genuinely free banking of a principled, libertarian kind would lead to the erasure (or close enough) of interest on money lent. To Rothbard, freedom in banking, currency, and credit would render credit *harder* to come by: “[F]ree banking would lead not to the infinite supply of money envisioned by such Utopian partisans of free banking as Proudhon, Spooner, Greene, and Meulen, but rather to much ‘harder’ and sounder money ...” These free bankers believed that, borrowing Tucker’s phrasing, the free market is fatal to all forms of usury—that “[w]hen, through

² William H. Harbold, “Justice in the Thought of Pierre-Joseph Proudhon” in *The Western Political Quarterly*, Vol. 22, No. 4 (Dec., 1969), pp. 723-741.

In examining the thought of both Proudhon and Greene, we have seen that the principle of reciprocity is at the core of the mutualist project. Greene argues that mutualism is based upon “reciprocal consent” and engenders solidarity by coordinating individuals “without any sacrifice of individuality.” He says that only “individuals can enter into voluntary mutual relations.” The relationship of Greene’s mutualism with socialism is one of apparent ambivalence; he, at turns, writes that individualism must be tempered by socialism, yet regards socialism as “the organization of universal misery,” a system with a single master, the State, creating “*but one class, a class of slaves*” (emphasis is Greene’s). And yet it is important not to draw too sharp a distinction between a collectivist anarchism and Proudhon’s mutualism, for it was more common among delegates at the First International to attempt a reconciliation between the two. If some collectivists opposed “the individualist thrust of Proudhonian mutualism,” many others saw collectivism and mutualism as complementary.¹⁵ The anarchists generally shared a marked appreciation of “a federalist structure of society,” one that, even if collectivist, was “distinctly anti-Marxist.”¹⁶

Contemporary free-market libertarians can and should learn from the goals and strategies of mutualists, endeavoring to build free institutions (and, therefore, a free society) today--self-sufficient, beyond the reach of politics, driven by the concrete, local needs of the people for whom the institutions are designed.

¹⁵ K. Steven Vincent, *Between Marxism and Anarchism* (University of California 1992), page 20.

¹⁶ *Ibid.*

tary for all,” that no “modifications, restrictions or suppressions” are necessary but those resulting naturally and necessarily from “the universalization of the principle of reciprocity.” Only universalize the privileges now enjoyed only by the capitalists, and the end goal of socialism is practically accomplished.

Political theory scholar Andrew Vincent even compares Proudhon to Herbert Spencer (wrongly and inaccurately calumniated as a “social Darwinist”) in his scorn for the distributive senses of justice, which he regarded “as feudal in character.” Indeed, “many passages in Proudhon’s writings are hymns to contract excluding government,”¹³ his idea being that the primacy of contract as a social norm would constitute the true social contract, replacing the repressive and arbitrary authority of the state with a network of free associations and agreements, chosen to effect specific ends. The Proudhon literature contains several comparisons to Sir Henry Maine, whose work famously exalted contract, arguing that “the movement of progressive societies has hitherto been a movement from status to contract.” Maine’s influence is clearly in evidence in Isabel Paterson’s *The God of the Machine*, in which she compares the Society of Contract, in which “man is born free,” to the Society of Status, in which “nobody has any rights.” Proudhon, Alan Ritter argues, attempted to articulate “a society of pure bargainers, totally liberated from government and hierarchy,” a society in which individuals reject the authoritarian, militaristic spirit and approach one another as producers and exchangers of equal values.¹⁴ This system can be both a socialism, in which labor is rewarded with its product, and a free-market libertarianism, in which individual self-owners enter into free agreements with one another, outside of the arbitrary authority of government actors.

¹³ Paul Thomas, *Karl Marx and the Anarchists* (Routledge 1980), page 191.

¹⁴ Alan Ritter, *The Political Thought of Pierre-Joseph Proudhon* (Princeton 1969), page 160.

freedom of banking, it shall become possible to furnish money at cost, no one will pay for money more than cost.”³ Tucker was, for his part, at his most faithful to the mutualism of Proudhon and Greene in his unflagging enthusiasm for mutual banking and his belief that the money monopoly was the most important—the most harmful—of his four major monopolies.⁴ Were free people, the laboring classes in particular, permitted to establish their own money and credit institutions, to compete openly with monopoly capital, they could begin to create a cooperative, equitable economy of federated worker-owners. Further, workers could begin to develop their own mutual aid infrastructure to ensure that the basic needs of the working classes were met, quite beyond the reaches of the state. As Tucker writes, “The philosophy of voluntary mutualism is universal in its application.” Greene believed that the establishment of mutual banks would settle, once and for all, every question related to money and credit. He argued that the goal of mutual banking was simply to withdraw from silver and gold their privileged position as the bases of currency, to “elevate[] every species of property,” beginning (but not ending) with real property, to that position. What is striking about the debate is that we see principled libertarians, all advocates of individual rights and free exchange, arguing about something that, in principle at least, could be the subject of empirical testing: what *actually* happens when we allow currencies to compete, based on anything and everything free people see fit to make the basis of currency? Confident predictions from all kinds of libertarian free money advocates notwithstanding, it would seem that we can’t be sure.

³ *Liberty* (Nov. 5, 1892).

⁴ Shawn Wilbur, “Mutualism” in *The Palgrave Handbook of Anarchism* (Palgrave 2018), page 221. Relatedly, Tucker writes in *Liberty*, “What the friends of free money are fighting for is the right both of individuals and of cooperators to issue money when and as they choose, and what they are fighting against is the laws which in any way make it impossible for either individuals or cooperators to exercise this right. This, and nothing else, is the free money theory”

Proudhon's conception of federalism permits us a fuller understanding of his mutualism; he states that once applied to the political sphere, mutualism becomes federalism, the two synonyms providing the complete formula for the economic and political revolution.⁵

Greene, following his friend and mentor Proudhon, writes, "The principle of mutuality in social economy is identical with the principle of federation in politics." Proudhon's association with workers in Lyons, beginning in the early 1840s, left an indelible mark on his thought; they, too, consciously rejected "the Jacobinical exaltation of the political revolution," emphasizing the importance of emergent social and economic transformation.⁶ It is from this society of autonomous workers in Lyons that Proudhon borrows the name mutualism.⁷ If federalism was Proudhon's response to the "'materialist centralization' of the modern nation state," mutualism meant the flattening, decentralization, and distribution of economic power.⁸

Mutualism, in its formulation of justice as association, is inherently pluralistic and, once more, decentralist; in place of the social contract theorists' sovereign state, it substitutes a conception of legal authority as the spontaneously emerging, "essential social norms that are developed over time by social group." Indeed, for his "relentless localism" and skepticism toward immediate political revolution, Proudhon's thought has frequently been branded reactionary, standing conspicuously at odds with the nationalistic movements of his time (Italian unification, for example, which

⁵ Pierre Dardot and Christian Laval, *Common: On Revolution in the 21st Century* (Bloomsbury 2019).

⁶ George Woodcock, *Pierre-Joseph Proudhon: A Biography* (Black Rose Books 1987), page 73.

⁷ *Ibid* at 74.

⁸ James H. Billington, *Fire in the Minds of Men: Origins of the Revolutionary Faith* (Transaction Publishers 2009), page 301.

policy Proudhon saw as "suicidal"⁹). Marx, who most famously dismissed Proudhon's ideas as reactionary and bourgeois, regarded Proudhon's political decentralism as "Proudhonized Stirnerism," in which "[e]verything is to be dissolved into small 'groups' or 'communes.'" To Marx, Proudhon's preference for political and economic units small and local resisted the current of history. Proudhon's influence during the first several years of the First International enraged Marx, who complained that Proudhon had "done enormous harm" in his "appearance of opposition to the Utopians."¹⁰

Mutualists have indeed been cautious when the subject of revolution arises. The anarchist (and broader socialist) literature frequently treats mutualism "as a reformist and gradualist strategy that would try to overgrow capitalism over a long period of time"¹¹ Mutualism represents both a *goal*, a cooperative, libertarian alternative to the hierarchy and exploitation of monopoly capitalism, and a *strategy* for achieving that goal, one "stressing the need to build alternative economic relationships in the here and now."¹²

As Clarence Lee Swartz argues in *What is Mutualism?*, no force or expropriation is necessary to effect the revolution or the equitable distribution of wealth; in fact, these would prove counterproductive. Relatedly, much has been made of Proudhon's famous (perhaps infamous) attack on private property: "Property is theft!" But this apparent attack on private property is, according to Proudhon, decidedly not an attack on individual rights or on "the legitimacy of acquired possessions." Less still does it represent a call for distributive justice, "an arbitrary division of goods." Proudhon argues that these such activities (e.g. the ownership and transfer of private property, lending at interest, etc.) ought to remain "free and volun-

⁹ Woodcock, page 242.

¹⁰ Woodcock, page 275.

¹¹ Deric Shannon, "Anti-Capitalism and Libertarian Political Economy" in *The Palgrave Handbook of Anarchism* (Palgrave 2018), page 101.

¹² *Ibid*.