

# Socialism as it was Always Meant to Be

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As the twentieth century draws to a close, what have we learned about how we should manage our economic affairs? What should we do if we had the opportunity to start again?

We could hold a lottery, or perhaps have a brawl to decide who owns what productive resources. The unfortunate losers would have to hire themselves out to work for the more fortunate winners, and the goods the losers produced could then be “freely” exchanged by their owners — the people who didn’t produce them. Of course this is the capitalist “solution” to the “economic problem” which has been spreading its sway for roughly three centuries. Based on that experience we can predict, with great confidence, that private enterprise market economies in a “second coming” would generate inequality and alienation just as they have the first time around. The only difference would be that “born again” capitalism would surely kill us all since it would begin with “initial conditions” — 5 billion people, modern industrial technology, and an already damaged ecosystem — that would do in mother earth in fairly short order. God has given capitalism the rainbow sign. No more water, the fire next time!

Alternatively, we could make the best educated, or perhaps most ruthless among us responsible for planning how to use society’s scarce productive resources and for telling the rest of us what to do. But that was tried with questionable results. To make a long story short, after a troubled half century “command economies” are on their death bed. So whether public enterprise, centrally planned economies yield more or less alienation, apathy, inefficiency, and environmental destruction than their capitalist rivals is, practically speaking, a moot point. In any case, we know authoritarian planning does not yield equity, efficiency, and economic democracy.

A third alternative is to declare all physical means of production and natural resources part of the public patrimony and have everyone work for public enterprises which would then “freely” exchange the goods produced. A little thought reveals there could be different variants of public enterprise market economies. The fact that enterprises are publicly owned and goods and labor are allocated by markets, does not settle how enterprises would be managed or financed. One possibility is for the state to select, train, and appoint experts to manage production. The other possibility is for employees to hire their own managers. In either case enterprises could be self-financing out of their own revenues, financed out of the state budget, or some combination of the two. Many anti-capitalist economists now support one or another of these variants of public enterprise market economies. The variants have important differences, and some are worse than others. (For example, we do not assume public enterprise market models are unattractive simply because eastern europeans have rejected them for capitalism and the Yugoslavian economy has fallen on hard times. The equation of public ownership with totalitarian communism by most East Europeans is understandable but unwarranted. And the disastrous economic policies of recent Yugoslav governments combined with impossible ethnic conflicts bear a great deal of responsibility for the collapse of the Yugoslav model. Instead, we reject public enterprise market systems on other grounds.) But they all share three major deficiencies:

(1) All variants of public enterprise market economies distribute the burdens and benefits of social labor unfairly. The distributive maxim implicit in public enterprise market economies is “to each according to the social value of his or

her labor." Contrary to popular opinion in many "progressive" circles, this outcome is neither fair nor efficient.

(2) Received wisdom notwithstanding, markets allocate resources very inefficiently, and create a great deal of environmental destruction and antipathy among buyers and sellers in the process.

(3) Markets create a social environment in which a class of managers, professionals, intellectuals and technicians — who we call coordinators — increasingly dominate and ultimately exploit ordinary workers.

Are there other alternatives? Some who reject capitalism, authoritarian planning, and public enterprise market models propose a vision of local self-reliance combined with direct democracy *a la* New England town meetings. They argue that reducing the scale of economic institutions and increasing the self-sufficiency of local geographic units can reduce alienation, cut transportation costs, and promote ecological balance. Small is beautiful. Communication and democracy works if done face-to-face. Avoid the negative repercussions of markets *and* central planning by decentralizing large, national economies into small, economically self-sufficient communities.

While the participatory and ecological goals of those who endorse small scale autarky are praiseworthy, the outcome would not be. Even if it were possible for every community to democratically decide how to produce and distribute everything it needs, there would be a terribly costly duplication of efforts as well as unjustifiable inequalities. But in the likely event that communities rediscovered the advantages of the division of labor, the model doesn't provide a clue to how they should arrange to specialize and trade with one another. Should goods and services not produced by every community be traded in free markets? If so, why wouldn't this lead to the usual inequities, hostilities, and inefficiencies? Should communities attempt to plan mutually beneficial economic relations? If so, how should they go about it? In the end, the problem of devising desirable allocative mechanisms won't go away.

Finally, what is wrong with the original socialist vision? Why can't workers in different enterprises and industries, and consumers in different neighborhoods and regions, coordinate their joint endeavors themselves — consciously, democratically, equitably, and efficiently? Why can't councils of consumers and workers propose what they would like to do, and revise their own proposals as they discover more about the impact of their desires on others? What is impossible about a social, iterative, planning procedure in which other workers approve production proposals only when they are convinced they are socially efficient and other consumers approve consumption requests only when they are convinced they are not socially abusive? What is impossible about the "associated producers" (and consumers) planning their related activities? According to most economists, the activities of separate groups of producers and consumers can be coordinated by markets or coordinated by authoritarian planning — but there is no "third way." In the view of most economists those who call for planning by producers and consumers themselves only delude themselves and others. Economic pundits claim it is impossible to democratically plan a large, complex, modern economy. Alec Nove, for example, threw down the gauntlet in no uncertain terms in *The Economics of Feasible Socialism* (London: George Allen and Unwin, 1983): "I feel increasingly ill-disposed towards those who... substitute for hard thinking an image of a world in which there would be no economic problems at all (or where any problems that might arise would be handled smoothly by the "associated producers".... In a complex industrial economy the interrelation between its parts can be based in principle either on freely chosen negotiated contracts [i.e., markets], or on a system of binding instructions from planning offices [i.e., central planning.] *There is no*

*third way.*" We disagree. The simple truth is that socialism as originally conceived has never been tried, but not because it is impossible. We recognize that council communists, syndicalists, anarchists, and guild socialists fell short of spelling out a coherent, theoretical model explaining how such a system could work. Our predecessors frequently provided stirring comparisons of the advantages of a libertarian, non-market, socialist alternative compared to capitalism and authoritarian planning. But all too often they failed to respond to difficult questions about how necessary decisions would be made, why their procedures would yield a coherent plan, or why the outcome would be efficient. In two recent books we set out to rectify this intellectual deficiency by demonstrating that a non-hierarchical, egalitarian, economy in which workers' and consumers' councils coordinate their joint endeavors themselves — consciously, democratically, equitably, and efficiently — was, indeed, possible. In [The Political Economy of Participatory Economics](#) (Princeton University Press, 1991), hereafter [Participatory Economics](#), we presented a theoretical model of participatory planning and carried out a rigorous welfare-theoretic analysis of its properties. In [Looking Forward: Participatory Economics for the Twenty First Century](#) (South End Press, 1991), hereafter [Looking Forward](#), we examined the intricacies of participatory decision making in a variety of realistic settings, described day-to-day behavior, and treated a number of practical issues conveniently ignored by theoretical models.

In this article we describe the essential features of the model of a participatory economy presented in those works. We describe how production would be organized and managed by worker councils and federations using balanced job complexes. We describe how consumption would be organized by consumer councils and federations according to the principle "to each according to his or her work effort." And we describe how worker and consumer councils and federations would participate in a social, iterative, planning procedure we call participatory planning capable of yielding a feasible, efficient, and equitable plan. We do all this because the most common argument against such a system has been to insist that it is impossible.

But recently the focus of criticism has changed. Critics have not challenged the technical feasibility of our model. None have argued that our planning procedure is incoherent, or incapable of yielding a feasible plan under assumptions traditionally granted other theoretical models. None have claimed that "participatory planning" as we spell it out would fail to generate reasonable estimates of social costs and benefits, even though there is no private ownership of productive resources and no markets. Nobody has argued that we erred in concluding there are incentives for consumers to use relatively less costly goods and place socially responsible limits on their overall consumption requests in our system. None have challenged our conclusion that enterprises would have to make efficient use of resources and inputs they receive under the procedures of participatory planning. Instead of the old argument that such an economy is impossible, critics have turned to challenging the desirability of such a system. In other words, to all intents and purposes critics have dropped the claim that a non-hierarchical, egalitarian, libertarian, non-market economy is impossible, and begun to argue instead, that it is not the kind of economy they and others would want to live in. While we are delighted the "third way" is no longer being dismissed as impossible, we must now defend the desirability of a participatory economy, and explain what we believe its major virtues are compared to traditional alternatives. We turn to this debate after describing how a participatory economy would work.

## **Workers' Councils**

Production would be carried out by workers' councils where each member had one vote. Everyone would be free to apply for membership in the council of their choice, or form a new workers' council with whomever they wished. But, beyond this, individual work assignments would be balanced for desirability and empowerment. Since there is an ample literature discussing the rationale and advantages of employee management, we focus our attention on the proposal to balance "work complexes" which is more unusual and controversial.

Every economy organizes work tasks into what are usually called "jobs" that define what tasks a single individual will perform. In hierarchical economies most jobs, contain a number of similar, relatively undesirable, and relatively unempowering tasks, while a few jobs consist of relatively desirable and empowering tasks. But why should some people's work lives be less desirable than others? Doesn't taking equity seriously require balancing jobs, or work complexes, for desirability? Similarly, if we want everyone to have equal opportunity to participate in economic decision making, if we want to ensure that the formal right to participate translates into an effective right to participate, doesn't this require balancing work complexes for empowerment? If some people sweep floors all week, year in and year out, while others review new technological options and attend planning meetings all week, year in and year out, is it realistic to believe they have equal opportunity to participate simply because they each have one vote in the workers' council? Doesn't taking participation seriously require balancing work complexes for empowerment? This does not mean everyone must do everything. It does not mean an end to specialization. And it does not mean there is no role for expertise in a participatory economy. Each individual will still do a very small number of tasks, but some of them will be more enjoyable and some less, and some will be more empowering and some less. Moreover the balancing can be achieved over a reasonable period of time. The usual arguments against balancing are:

(1) Talent is scarce and training is socially costly, therefore it is inefficient for talented people or people with training to do menial tasks.

(2) For everyone to participate equally in economic decisions ignores the legitimate role of expertise.

In brief, our answers to these objections are:

The "scarce talent" argument against balancing work complexes is often overstated. If one assumes most of the work force has no socially useful, trainable talents, then the conclusion follows. But this assumption is false. It is true not everyone has the talent to become a brain surgeon, and there are social costs to training brain surgeons. But most people have some socially useful talent whose development entails some social costs. An efficient economy would identify and develop everyone's most socially useful talent. If this is done, then there is a significant opportunity cost no matter who changes bed pans, and the conclusion that it is grossly inefficient for brain surgeons to change them does not necessarily follow.

In circumstances where the consequences of decisions are complicated and not readily apparent, there is an obvious need for expertise. But economic choice entails both determining *and* evaluating consequences. Those with expertise in a matter may well predict the consequences of a decision more accurately than non-experts. But those affected know best whether they prefer one outcome to another. So, while efficiency requires an important role for experts in determining complicated consequences, efficiency also requires that those who will be affected determine which consequences they prefer. This means it is just as inefficient to keep those affected by decisions from making them (after experts have analyzed and debated consequences) as it is to prevent experts

from explaining and debating consequences of complicated choices before those affected register their desires. Self-managed decision making, defined as decision making input in proportion to the degree one is affected by the outcome, does not mean there is no role for experts. Instead it means confining experts to their proper role and keeping them from usurping a role that it is neither fair, democratic, nor efficient for them to assume.

Whether there are incentives for workers' councils to use scarce productive resources efficiently, and whether there are incentives for them to pursue socially beneficial innovations we leave to the discussion of participatory planning and incentives below.

### **Consumers' Councils**

Every individual, family, or living unit would belong to a neighborhood consumption council. Each neighborhood council would belong to a federation of neighborhood councils the size of a ward or rural county. Each ward would belong to a city consumption council, each city and county council would belong to a state council, and each state council would belong to the national consumption council. The major purpose for this nesting of consumer councils is to allow for the fact that different kinds of consumption affect different numbers of people. Failure to arrange for all those affected by consumption activities to participate in choosing them not only implies a loss of self-management, but, if the preferences of some are disregarded or misrepresented, a loss of efficiency as well. One of the serious liabilities of market systems is their systematic failure to allow for the expression of desires for social consumption on an equal footing with the expression of desires for private consumption. Having the different levels of federations participate on an equal footing in the planning procedure described below prevents this bias from occurring in our model of a participatory economy.

Members of neighborhood councils would present consumption requests accompanied by effort ratings done by their peers in the work place. Using indicative prices the social burdensomeness of each proposal would be calculated. While no consumption request justified by an effort rating could be denied by a neighborhood consumption council, neighbors could express an opinion that a request was unwise, and neighborhood councils could also approve requests on the basis of need in addition to merit. Individuals could "borrow" or "save" by consuming more or less than warranted by their effort level for the year, and anyone wishing to submit an anonymous request could do so.

The major questions are whether "to each according to effort" is fair, and whether this distributive maxim is consistent with efficiency. Again, we state our views in brief.

Capitalist economies embody the distributive maxim: "to each according to the value of his or her personal contribution and the contribution of property owned." Public enterprise market economies operate according to the maxim: "to each according to the value of his or her personal contribution." In a participatory economy the only reason people would have different levels of consumption would be differences in work effort or differences in need. By effort we mean anything that constitutes a personal sacrifice for the purpose of providing socially useful goods and services. If work complexes were truly balanced for desirability, and if everyone worked at the same intensity, then effort could be measured in terms of the number of hours worked. In other circumstances effort could take the form of working at a less pleasant or more dangerous job, or undergoing training that was less agreeable than the average training process.

Socialists have long argued that consumption rights derived from the ownership of productive property are unjustified. Beside the simple fact that they generate

grossly unequal consumption opportunities, the usual rationale is that those who receive the extra income did little, if anything to deserve it. They neither contributed more to the value of social production through their own labor than others, nor underwent any greater personal sacrifice than others.

But long ago, in [Capitalism and Freedom](#), Milton Friedman pointed out the hypocrisy of denouncing income differentials due to differences in ownership of property while tolerating differentials due to differences in talent. "Is there any greater ethical justification for the high returns to the individual who inherits from his parents a peculiar voice for which there is a great demand than for the high returns to the individual who inherits property?" In our view, the honest answer to Friedman's challenge is "no." Despite the historical fact that private ownership of productive property has generated a great deal more economic injustice than differential talent, there is nothing more fair about the birth lottery than the inheritance lottery. Greater personal sacrifice incurred in the production of socially beneficial goods and services is legitimate grounds for greater access to those goods and services. But neither ownership of property nor possession of talent that "objectively" makes it possible to produce more valuable goods and services carries any moral weight, in our view.

As we stated in the introduction, we believe this creates an ethical dilemma for those who support public enterprise market systems. If wages are determined in the market place some will earn more than others who work longer and harder. But if wages are set fairly, that is, according to effort, or personal sacrifice, users of scarce human resources will be charged prices that deviate from their social opportunity costs yielding a price system that systematically misestimates social costs and benefits. We see no way around this dilemma in an economy with a free labor market.

In a participatory economy, while individuals consume according to their work effort, users of scarce labor resources are charged according to their opportunity costs, as we will see when we describe participatory planning below. This avoids the contradiction between equity and allocative efficiency in a market economy. But what about the common view that reward according to the value of one's personal contribution provides efficient incentives while reward according to effort does not?

Differences in the value of people's contributions are due to differences in talent, training, job placement, luck, and effort. Once we clarify that "effort" includes personal sacrifices incurred in training, the only factor influencing performance over which an individual has any discretion is effort. By definition, neither talent nor luck can be induced by reward. Rewarding the occupant of a job for the contribution inherent in the job itself does not enhance performance. And provided that training is undertaken at public rather than private expense, no reward is required to induce people to seek training. In sum, if we include an effort component of training in our definition of effort, the only discretionary factor influencing performance is effort, and the only factor we should reward to enhance performance is effort — which certainly turns common wisdom on its head! Not only is rewarding effort consistent with efficiency, but rewarding the combined effects of talent, training incurred at public not private expense, job placement, luck, and effort, is not. (We refer readers shocked by this conclusion to chapter 3 of [Participatory Economics](#) for our rebuttal to the three most common reasons people give for believing equity conflicts with efficiency.

Namely:

- (1) If consumption opportunities are essentially equal, people will have no reason to work up to their capabilities.
- (2) If payment is equal, there is no incentive for people to train themselves in the ways they can be most socially valuable. And

(3) Effort is difficult to measure while outcome is not, so rewarding performance is the best system in practice.)

### **Participatory Planning**

The participants in the planning procedure are the workers' councils and federations, the consumers' councils and federations, and an Iteration Facilitation Board (IFB). Conceptually, the planning procedure is quite simple. The IFB announces what we call "indicative prices" for all goods, resources, categories of labor, and capital stocks. Consumer councils and federations respond with consumption proposals taking the indicative prices of final goods and services as estimates of the social cost of providing them. Workers councils and federations respond with production proposals listing the outputs they would make available and the inputs they would need to make them, again, taking the indicative prices as estimates of the social benefits of outputs and true opportunity costs of inputs. The IFB then calculates the excess demand or supply for each good and adjusts the indicative price for the good up, or down, in light of the excess demand or supply. Using the new indicative prices consumer and worker councils and federations revise and resubmit their proposals.

Essentially the procedure "whittles" overly optimistic, infeasible proposals down to a feasible plan in two different ways: Consumers requesting more than their effort ratings warrant are forced to reduce their requests, or shift their requests to less socially costly items, to achieve the approval of other consumer councils who regard their requests as greedy. Workers councils whose proposals have lower than average social benefit to social cost ratios are forced to increase either their efforts or efficiency to win the approval of other workers. As iterations proceed, proposals move closer to mutual feasibility and indicative prices more closely approximate true social opportunity costs. Since no participant in the planning procedure enjoys advantage over others, the procedure generates equity and efficiency simultaneously.

### **Objections to a Participatory Economy**

Too many meetings: First, we offer Pat Devine's response to this objection to his version of democratic planning: "In modern societies a large and possibly increasing proportion of overall social time is already spent on administration, on negotiation, on organizing and running systems and people. This is partly due to the growing complexity of economic and social life and the tendency for people to seek more conscious control over their lives as material, educational and cultural standards rise. However, in existing societies much of this activity is also concerned with commercial rivalry and the management of the social conflict and consequences of alienation that stem from exploitation, oppression, inequality and subalternity. One recent estimate has suggested that as much as half the GNP of advanced western countries may now be accounted for by transaction costs arising from increasing division of labor and the growth of alienation associated with it. [D. North, "Transaction Costs, Institutions, and Economic History," in the Journal of Institutional and Theoretical Economics, 1984] Thus, as Pat Devine points out in Democracy and Economic Planning (Boulder Colorado: Westview Press): "there is no *a priori* reason to suppose that the aggregate time devoted to running a self-governing society... would be greater than the time devoted to the administration of people and things in existing societies. However, aggregate time would be differently composed, differently focused and, of course, differently distributed among people."

Second, we quote from David Levy's review of Looking Forward in Dollars and Sense (November 1991): "Within manufacturing firms we find echelons of managers and staff whose job it is to try to forecast demand and supply. Indeed,

only a small fraction of workers directly produce goods and services. The existing system requires millions of government employees, many of whom are in jobs created precisely because the market system provides massive incentives to engage in fraud, theft, environmental destruction, and abuse of workers' health and safety. And even during our 'leisure time' we must fill in tax forms and pay bill. Critics of [Looking Forward](#)'s complex planning process should examine the management of a large corporation. Large corporations are already planned economies; some have economies larger than those of small countries. These firms supplant the market for thousands of intermediate products. They coordinate vast amounts of information and intricate flows of goods and materials."

In sum, "meeting time" is far from zero in existing economies. But for a participatory economy we can break the issue down into meeting time in workers' councils, meeting time in consumers' councils, meeting time in federations, and meeting time in participatory planning.

Conception, coordination, and decision making is part of the organization of production under any system. Under hierarchical organizations of production relatively few employees spend most, if not all of their time thinking and meeting, and most employees simply do as they're told. So it is true, most people would spend more time in work place meetings in a participatory economy than a hierarchical one. But this is because most people are excluded from work place decision making under capitalism and authoritarian planning. It does not necessarily mean the total amount of time spent on thinking and meeting rather than doing would be greater in a participatory work place. And while it might be that democratic decision making requires more "meeting time" than autocratic decision making, it should also be the case that less time is required to enforce democratic decisions than autocratic ones. It should also have been clear from our discussion of participatory work places in chapters 2 and 7 of [Looking Forward](#) that meeting time is part of the normal work day, just as it is for managers and supervisors in existing economies, not an extra burden and infringement on their leisure.

Regarding the organization of consumption, we plead guilty to suggesting that these decisions be arrived at with more social interaction than in market economies. In our view one of the great failures of market systems is that they do not provide a suitable vehicle through which people can express and coordinate their consumption desires. It is through a layered network of consumer federations that we propose overcoming alienation in public choice combined with isolated expression of individual choice that characterizes market systems. Whether this will take more time than the present organization of consumption depends on a number of trade-offs.

Presently economic and political elites dominate local, state, and national public choice. For the most part they operate free from restraint by the majority, but periodically time consuming campaigns are mounted by popular organizations to rectify matters when they get grossly out of hand. In a participatory economy people would vote directly on matters of public choice. But that doesn't require a great deal of time, or mean attending meetings. Expert testimony and differing opinions would be aired through a democratic media. Individuals with strong feelings on particular issues would presumably participate in such forms, but others would be free to pay as much or as little attention to these debates as they wished.

We also believe the amount of time and travel devoted to consumption decision making in our model would be less than in market economies. Consumer federations could operate exhibits for people to visit before placing orders for goods that would be delivered directly to neighborhood outlets. And serious R&D

units attached to consumer federations would not only provide better information about consumption options but a real vehicle for translating consumer desires into product innovation. While the prospect of proposing and revising consumption proposals within neighborhood councils might appear to require significant meeting time, we tried to explain in chapter 4 of [Looking Forward](#) why, with the aid of computer terminals and rather simple software packages, this needn't take more time than it takes people currently to prepare their tax returns and pay their bills. In any case, nobody would have to attend meetings or discuss their neighbors' opinions regarding consumption requests if they chose not to; the existence of greater opportunities for efficient social interaction prior to registering consumption preferences could be utilized or ignored as individuals chose; and time necessary for consumption decision making would be treated like time necessary for production decision making — as part of one's obligations in a participatory economy, not part of one's leisure time.

But how much meeting time is required by participatory planning, which we did describe as a social, iterative, procedure? Contrary to critics' presumptions, we did not propose a model of democratic planning in which people, or their elected representatives, meet face to face to discuss and negotiate how to coordinate their activities. Instead we proposed a procedure in which individuals and councils submit proposals for their own activities, receive new information including new indicative prices, and submit revised proposals. Nor did we suggest meetings of constituents to define feasible options to be voted on. Instead we proposed that after a number of iterations had defined the major contours of the plan, the professional staffs of iteration facilitation boards would define a few feasible plans within those contours for constituents to vote on without ever meeting and debating with one another at all. Finally, we did not propose face to face meetings where different groups would plead their cases for consumption or production proposals that did not meet normal quantitative standards. Instead we proposed that councils submit qualitative information as part of their proposals so that higher level federations could grant exceptions should they choose to. Moreover, the procedure for disapproving proposals is a simple up, down vote of federation members rather than a rancorous meeting.

But while we do not think the criticism of "too many meetings" is warranted, we do not want to be misleading. Informed, democratic decision making *is* different than autocratic decision making. And conscious, equitable coordination of the social division of labor *is* different than the impersonal law of supply and demand. We obviously think the former, in each case, is greatly to be preferred to the latter. But this is not to say we do not understand this requires, almost by definition, more meaningful social intercourse.

Too intrusive: In "A Roundtable on Participatory Economics," in [Z Magazine](#) (July/August 1991), Nancy Folbre referred to this problem as "tyranny of the busy-body" and "dictatorship of the sociable." In a class one of us taught the issue came to be known as "the kinky underwear problem." Nancy Folbre also cautioned of the potential inefficiency of groups dominated by the sentiment "Let's not piss anybody off." David Levy observed in a [Dollars and Sense](#) (November 1991) book review that while [Looking Forward](#) reminded him in some respects of Ursula LeGuin's novel, [The Dispossessed](#), readers should be warned that LeGuin's subtitle was "An Ambiguous Utopia" because "reliance on social pressure rather than material incentives create a lack of initiative, claustrophobic conformity, and intrusiveness." In comradely private communication Tom Weisskopf cautioned against "sacrificing too much individuality, specialization, diversity, and freedom of choice." What is the source of these misgivings, and how do we respond?

For us it is important to distinguish between misgivings that any and all participatory processes may be "too intrusive," and the criticism that some of our specific measures are more socially intrusive than need be. First, let us reiterate features of our model designed to protect the citizenry from tyrannical busy-bodies. Beside being free to move from one neighborhood to another, consumption proposals justified by one's effort rating cannot be vetoed. While there is nothing but a motion to close debate to prevent a busy-body from carrying on about someone else's consumption request, it is difficult to understand why people would choose to waste their time listening to views that had no practical consequence. Individuals can also make anonymous consumption requests if they do not wish their neighbors to know the particulars of their consumption habits. In workers' councils balancing job complexes for empowerment should alleviate one important cause of differential influence over decision making. Rotating assignments to committees also alleviates monopolization of authority. On the other hand we stopped short of calling for balancing "consumption" complexes for empowerment, and refused to endorse forcing people to attend or remain at meetings longer than they found useful. An apt analogy is the saying, "You can lead a horse to water, but you can't make it drink." We had every intention of leading people to participate, but no doubt, some will drink more deeply from the well of participation than others, and those who do will probably influence decisions disproportionately. Even so, those who are more sociable would have a difficult time benefiting materially from their efforts, and the anti-social should suffer no material penalty. In any case, better dictatorship of the sociable with no material privileges than dictatorship of the propertied, dictatorship of the bureaucrats and party members, or dictatorship of the better educated.

We also fail to understand why our proposal is not seen as thoroughly libertarian. People are free to apply to live and work wherever they wish. People can ask for whatever consumption goods and services they desire and distribute their consumption over their lives however they see fit. People can apply to whatever educational and training programs they want. And any individual or group of individuals can start a new living unit, consumer council, or worker council, with fewer "barriers" to overcome than in any traditional model. The only restriction is that the burdens and benefits of the division of labor be equitable. That is why people are not free to consume more than their sacrifice warrants. And that is why people are not free to work at job complexes that are more desirable or empowering than others enjoy. It may be that some chafe under these restrictions, or find them excessive. We certainly never suggested they be forced on a citizenry against their will. We simply believe the logic of justice requires these restrictions on "individual freedom," just as the logic of justice places restrictions on the freedom to profit from private ownership of productive property. As citizens in a participatory economy we would argue and vote for these restrictions until convinced otherwise.

Misfocused Priorities: Pat Devine criticizes our model for overly concentrating on popular participation in small and local decisions at the expense of larger social issues. In private communication Peter Dorman put the issue somewhat differently: "Since democracy is not easy or costless to practice we should economize on its use."

Obviously, we would be unhappy with a model that diverted people's participatory energies from more important issues to more trivial ones. And in retrospect, we can see how our exposition could lead people to conclude we attach too little importance to long term development and investment decisions. In [Participatory Economics](#) we were anxious to demonstrate that participatory planning was more likely to achieve allocative efficiency than traditional

alternatives. Accordingly, we concentrated on a static model without resorting to the Debreuvian artifice of pretending the conclusions apply to many time periods as well. In [Looking Forward](#) we wanted to explain what a participatory economy would “feel like” to ordinary citizens. So we mostly discussed day to day production and consumption concerns and how they would be handled.

But our intent was that the procedures of participatory planning should also be used to formulate long run plans. Once again the options are:

- (1) relegate long run planning to the vagaries of the market place,
- (2) entrust long run planning to a political and technical elite, or
- (3) permit councils and federations of workers and consumers to propose, revise, and reconcile the different components of the long run plan.

There is an extensive and compelling literature to the effect that laissez faire market systems are *least* appropriate for long run development decisions.

Indeed, traditional socialist critics of capitalism such as Maurice Dobb and Paul Sweezy were most convincing when arguing the theoretical advantages of planning over markets to achieve growth and development. Even the terribly flawed Soviet version of planning demonstrated important advantages over market economies in this regard. Moreover, every historical case of successful development by a “late comer” has been an example of the efficacy of planning rather than laissez faire, ideological claims to the contrary, notwithstanding.

Rejecting the vagaries of the marketplace, If the political and technocratic elite is not chosen democratically, the dangers and disadvantages are obvious. But even if those who are entrusted to conceive and negotiate the long term plan are chosen democratically, as they are, for example, in Pat Devine’s vision of “negotiated coordination,” there would be less room for popular participation than under the procedures of participatory planning. Since we agree with Devine that choosing between transforming coal mining so as to dramatically improve health and safety, replacing highway travel with a high-speed rail system, or transforming agriculture to conform to ecological norms — not all of which can be done at once — has an important impact on people’s lives, we are anxious that popular participation be maximized in these matters.

So, as always, the issue comes down to how can ordinary people become best involved in a particular kind of decision making? In our view the federation of coal miners, the federation of rail workers, the federation of automobile makers, the federation of agricultural workers, and the transportation, food, and environment departments of the national federation of consumers should all play a prominent role in formulating, analyzing, and comparing the above alternatives. In our view, even regarding major, long term choices, people participate best in areas closest to their personal concerns, and participatory planning is designed to take advantage of this. This is not to deny that everyone would vote on major alternatives. Nor do we deny there is an important role for expertise. But besides the professional staffs of iteration facilitation boards, professionals in R&D units working directly for the above federation would play an active role in defining long term options. And with the aid of relatively accurate indications of social costs and benefits, we believe workers and consumers through their councils and federations can play a prominent role in long term planning just as they can in annual planning and managing their own work and consumption.

**Insufficient Incentives:** Our model of a participatory economy is designed to maximize the motivating potential of non-material incentives. There is some reason to hope jobs designed by workers will be more enjoyable than ones designed by capitalists or coordinators. There is every reason to believe people will be more willing to carry out tasks they, themselves, proposed and agreed to than assignments handed them by superiors. There is also every reason to

believe people will be more willing to perform unpleasant duties conscientiously when they know the distribution of those duties as well as the rewards for people's efforts are equitable.

But all this is not to say there are no material incentives in our model. As we explained, one's efforts will be rated by one's peers who have every interest in seeing that those they work with work up to their potentials. Moreover, one's effort ratings in work will affect one's consumption rights.

It is true we do not recommend paying those with more education and training higher wages since we believe it would be inequitable to do so. But that does not mean people would not seek to enhance their productivity. First of all, the cost of education and training would be born publicly, not privately. So there are no material disincentives to pursuing education and training. Secondly, since a participatory economy is not an "acquisitive" society, respect, esteem, and social recognition would be based largely on "social serviceability" which is enhanced precisely by developing one's most socially useful potentials through education and training.

The same logic applies to innovation. We do not support rewarding those who succeed in discovering productive innovations with vastly greater consumption rights than others who make equivalent personal sacrifices in work. Instead we recommend emphasizing direct social recognition of outstanding achievements for a variety of reasons. First, successful innovation is often the outcome of cumulative human creativity for which a single individual is rarely entirely responsible. Furthermore, an individual's contribution is often the product of genius and luck as much as diligence, persistence, and personal sacrifice, all of which implies that recognizing innovation through social esteem rather than material reward is superior on ethical grounds. Second, we are not convinced that social incentives will prove less powerful than material ones. It should be recognized that no economy ever has, or could pay innovators the full social value of their innovations, which means that if material compensation is the only reward, innovation will be under stimulated in any case. Moreover, too often material reward is merely a symbol, or imperfect substitute, for what is truly desired, social esteem. How else can one explain why those who already have more wealth than they can consume continue to strive to accumulate more? In any case, these are our opinions. Actual policy in a participatory economy would be settled democratically in light of results.

Nor do we see why critics believe there would be insufficient incentives for enterprises to seek and implement innovations, unless they measure a participatory economy against a mythical and misleading image of capitalism. Sometimes it is presumed that innovating capitalist enterprises capture the full benefits of their successes, while it is also assumed that innovations spread instantaneously to all enterprises in an industry. When made explicit it is obvious these assumptions are contradictory. Yet only if both assumptions hold can one conclude that capitalism provides maximum material stimulus to innovation *and* achieves technological efficiency throughout the economy. In reality innovative capitalist enterprises temporarily capture "super profits" (in Marxist terms) or "technological rents" (in Neoclassical terms) which are competed away more or less rapidly depending on a host of circumstances. Which means that in reality there is a trade-off in capitalist economies between stimulus to innovation and the efficient use of innovation, or a trade-off between dynamic and static efficiency.

In a participatory economy workers have a "material incentive," if you will, to implement innovations that improve the quality of their work life. This means they have an incentive to implement changes that increase the social benefits of the outputs they produce, or reduce the social costs of the inputs they consume,

since anything that increases an enterprise's social benefit to social cost ratio will allow the workers to win approval for their proposal with less effort, or sacrifice, on their part. But just as in capitalism, adjustments will render any advantage they achieve temporary. As the innovation spreads to other enterprises, as indicative prices change, and as work complexes are re-balanced across enterprises and industries the full social benefits of their innovation will be both realized and spread equitably to all workers and consumers.

The faster the adjustments are made, the more efficient and equitable the outcome. On the other hand, the more rapid the adjustments, the less the "material incentive" to innovate and the greater the incentive to "ride for free" on others' innovations. While this is no different than under capitalism, a participatory economy enjoys important advantages. Most importantly, direct recognition of "social serviceability" is a more powerful incentive in a participatory economy, which reduces the magnitude of the trade-off. Secondly, a participatory economy is better suited to allocating resources efficiently to R&D because research and development is largely a public good which is predictably under supplied in market economies but would not be in a participatory economy. Third, the only effective mechanism for providing material incentives for innovating enterprises in capitalism is to slow their spread, at the expense of efficiency. This is true because the transaction costs of registering patents and negotiating licenses from patent holders are very high. But while we would recommend it only as a last resort, the transaction costs of delaying the recalibration of work complexes for innovative work places, or even granting extra consumption allowances for a period of time would not be high in a participatory economy.

In general, we find much of what parades as scientific opinion about incentives plagued by implicit and unwarranted assumptions predictable in an era of capitalist triumphalism. We are neither as pessimistic about the motivational power of non-material incentives in an appropriate environment as many of our fellow radicals have become. Nor do we see any inappropriate obstacles to the deployment of material incentives in a participatory economy should its members decide they are warranted. In the end we are quite comfortable with the very traditional socialist view that a mixture of material and social incentives would be necessary during the process of creating an equitable and humane economy. But that social progress hinges, in part, on the diminishing reliance on material incentives.

## **Conclusion**

The issue is quite simple:

Do we want to try and measure the value of each person's contribution to social production and allow individuals to withdraw from social production accordingly? Or do we want to base any differences in consumption rights on differences in personal sacrifices made in producing the goods and services? In other words, do we want an economy that implements the maxim "to each according to the value of his or her personal contribution" or an economy that obeys the maxim "to each according to his or her effort?"

Do we want a few to conceive and coordinate the work of the many? Or do we want everyone to have the opportunity to participate in economic decision making to the degree they are affected by the outcome? In other words, do we want to continue to organize work hierarchically, or do we want job complexes balanced for empowerment?

Do we want a structure for expressing preferences that is biased in favor of individual consumption over social consumption? Or do we want it to be as

easy to register preferences for social as individual consumption? In other words, do we want markets or nested federations of consumer councils?

Do we want economic decisions to be determined by competition between groups pitted against one another for their well being and survival? Or do we want to plan our joint endeavors democratically, equitably, and efficiently? In other words, do we want to abdicate economic decision making to the market place or do we want to embrace the possibility of participatory planning?

This is not the place to review the fundamental flaws of market systems. In the first chapter of [Participatory Economics](#) we summarized the case against markets that we spelled out in greater detail in [Quiet Revolution in Welfare Economics](#), (Princeton NJ: Princeton University Press, 1990). We have explained why markets are incompatible with equity and systematically destructive of solidarity. We have explained why market economies will continue to destroy the environment, and why a radical view of social life implies that external effects are the rule rather than the exception, which means markets generally misestimate social costs and benefits and misallocate scarce productive resources. And we have explained that while markets may fulfill the liberal vision of individual economic freedom to dispose of one's personal capabilities and property however one chooses, they are inconsistent with the radical goal of self-management for everyone. While many have told us casually that markets are not as bad as we make them out to be, no political economist has yet responded specifically to a single criticism we have made. We can't help but feel the debate between progressive minded marketeers and "third wayers" such as ourselves would be more engaging if marketeers responded more directly to their critics as we have attempted to do here.

In conclusion, we believe those who reconcile themselves to market "socialist" models do so illogically and unnecessarily. Illogically because the negative experience of authoritarian planning tells us very little, if anything, about the potential of participatory planning. Illogically because the collapse of communism is incapable of reducing the liabilities of market systems that are becoming more rather than less apparent. Unnecessarily because socialism as it was always meant to be is not impossible. And unnecessarily because the vision of an equitable, democratic economy, generating increasing solidarity among its participants, is as attractive and appealing as ever.

Ontleend aan: <http://www.parecon.org> 23-01-03. Zie ook: Michael Albert and Robin Hahnel: *The Political Economy of Participatory Economics*, Originally Published by Princeton University Press 1991