

Imagining the Future

The basics of Participatory Economics

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In the last issue we had a missive from the future. It told us of the great changes in the post-revolutionary anarchist world. In this article of the future society series, I will focus solely upon an anarchist vision of a future economy. This is called participatory economics, often abbreviated parecon, a classless economic system proposed primarily by activist and political theorist Michael Albert and, among others, economist Robin Hahnel. The model was developed through the 70s and 80s and the first exclusively parecon books were published in 1991. Many of their early writings concentrated on what they perceived as flaws in Marxist and Marxist-Leninist theory.

Unfortunately, for all its emphasis on class analysis, Marxism blinded many fighting against the economics of competition and greed to important antagonisms between the working class and the new, professional managerial class – or as Albert and Hahnel termed it, the coordinator class. While consumer and worker councils are familiar to libertarian socialists, as are analyses of the poly-labelled managerial class, Parecon’s round-by-round participatory planning, balanced job-complexes, and a remunerative system not based upon output are less familiar.

These institutions are designed to create a classless libertarian socialist alternative where everyone will have the opportunity to develop all of their creative capacities. To quote:

“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.”

They continue:

“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.”

The aims and values of participatory economics will be familiar to many and are:

Solidarity

An economy should not produce anti-social behaviour or a lack of empathy. This should not be controversial, so I won’t overdo it. I think most people would agree with more solidarity from an economy, not less! So our economy should actively promote solidarity, not only attempt to provide structures for its expression.

Diversity

This essentially means valuing options – not narrowing options. Instead of homogeneity we should have diversity. We can all benefit vicariously from other peoples diverse activities, and there is not just one correct way of doing things. People should have many choices.

Equity

There is no justification, neither in terms of efficiency or morality, for remuneration of property, land or machines. It is theft from everyone else. Power should not be remunerated for similar reasons. The self-serving myth that such inequalities are justified based upon merit are addressed in the words of Edward Bellamy in the 19th Century:

“You may set it down as a rule that the rich, the possessors of great wealth, had no moral right to it as based upon desert, for either their fortunes belonged to the class of inherited wealth, or else, when accumulated in a lifetime, necessarily represented chiefly the product of others, more or less forcibly or fraudulently obtained.”

But output should also not be remunerated. Should we reward genetic endowment? Should we reward better tools? Or more desired products? Well no, it is also unfair. If two people are cutting corn with the same tools and level of effort there is no reason, neither on the basis of efficiency or morality, to reward them differently. It would reward a host of things that people have no control over. So if we reward for effort, then the coal-miner earns more, much more, than a manager in an office, or say, a worker in a publishing house. If we are to reward equitably, we should reward only effort at socially valued labour.

The way a parecon works, income differentials beyond average income could not disrupt solidarity or self-management. But what if you're sick or if you can't work? The answer is that a parecon is a mixed economy which has distribution according to need for calamities, health, and other related similar facets of consumption such as say, education, housing, special needs, and so on.

Self-management

People should have an input into decisions in proportion that they are affected by them. This doesn't mean using the same system, for example, one-person one vote, consensus or dictatorial, all the time. Rather, the method is decided depending on the nature of the decisions.

Say, if someone puts up a picture of a family member in their workspace, who decides? This is a dictatorial decision for that person. But, how about a ghetto blaster where everyone can hear it nearby? Well those people affected then decide. If we don't do this then one person will have more of a say than another person. I am the world's foremost expert on my own preferences, so we should each be responsible for expressing them.

Efficiency

Many leftists are afraid of this word, but stripped from its capitalist context, efficiency just means not wasting things. Under capitalism, it means not wasting things capitalists desire. It doesn't matter that you destroy people's lives, or that you pollute the environment. Efficiency is a word whose meaning depends on the values and aims of the people using the word. It is good not to waste things when producing socially valued goods and services. In this context efficiency incorporates environmental responsibility, and is in accord with our values.

These values are attained through the following institutions:

Worker and Consumer Councils (WCs and CCs)

An economy is a mixture of ingredients to fulfil production, consumption, and allocation. Instead of money or power dictating the use of resources, ordinary people would deliberate in relatively small councils in order to decide what is best for their community.

This means democratic groups, called worker and consumer councils, using self-managerial methods for decision-making. Say we start with neighbourhood groups. Each is part of a bigger community, and larger council, which will represent the councils within, when choices in one affect more than just their members. Everyone has a say in services and goods according to the impact on them through this federated system of nested WCs and CCs. This ensures that power doesn't come down from the top but is nested up from the bottom: from the neighbourhood, to the ward, city, county, province, continent and so on, with personal and public consumption and production being addressed as appropriate. Personal consumption is purely private and anonymous and can even be transferred to a different council from where you live if you prefer. While a type of credit card technology can aid consumption and updating.

Balanced Job Complexes (BJCs)

All economies need people to do work, and all workplaces tend to organise this work into bundles of tasks we commonly refer to as "jobs". In a class-ridden society, jobs are organised to maintain a hierarchical structure. People towards the top of the hierarchy (the coordinator class) will have jobs composed of tasks that are empowering whilst those towards the bottom of the hierarchy (the working class) have jobs made up of dis-empowering tasks.

This corporate division of labour is an institutional feature found in both capitalist and coordinator economies. A feature that systematically maintains workplace hierarchy whilst undermining self-management through a monopoly on empowering labour. If we want everyone to have an equal opportunity to participate in economic decision-making, and that a formal right to participate in meetings translates into an effective right to participate; does this not require balancing work with empowerment?

Parecon rejects the corporate division of labour as incompatible with self-management. But what is the alternative? Parecon says:

“let's make each job comparable to all others in its quality of life and even more importantly in its empowerment effect ... From a corporate division of labour that enshrines a coordinator class above workers, we move to a classless division of labour that elevates all workers to their fullest potentials.”

This classlessness is achieved with the creation of a new institutional feature called “balanced job complexes”, meaning jobs are re-designed throughout the economy so that they are balanced between, on the one hand, skilled and design work, and, on the other, the physical, less desirable and less empowering work. The education system is changed to democratise access to expertise, information and training, and integrate this with the system of production itself.

It should be noted that each individual's job complex will contain a very few tasks and, of course, there is a division of labour. People would still be trained and educated to be doctors or engineers say. However, nobody's mixture of tasks will be significantly more empowering than

others, or significantly more desirable than others. The economy would also have delegation (e.g., heads of work teams). But not people who are always the order givers and others who are always the order takers. Each person will experience both being in authority and being under another's authority in different situations and at different times.

Job complexes are not balanced by a national bureaucracy but through each WC balancing committee, just as they have an effort rating committee. The time any individual spends on this committee is treated as one task in their job complex. Balancing is not onerous and could be done once a year. There is no outside agent who oversees this operation with power to dictate or veto outcomes.

Remuneration for Effort and Sacrifice

In a parecon, private ownership of economic institutions no longer exists. Effort and sacrifice is proposed as a morally sound alternative criteria for remuneration: "If you work longer, and you do it effectively, you are entitled to more of the social product. If you work more intensely, to socially useful ends, again you are entitled to more social product. If you work at a more onerous, dangerous or boring, but still socially warranted, tasks; again, you are entitled to more social product."

But what about: "From each according to ability, to each according to need."? Albert and Hahnel think that this maxim has more to do with compassion and humanity than economic justice and it "is our humanity that compels us to provide for those in need". In a parecon, those unable to work receive a socially average income of items and services of their choosing (of course those with special needs would get more, such as medicine). In fact, everyone gets this socially average income.

So in a parecon, the criteria for remuneration are (1) how many hours you work, (2) the intensity of your work effort (3) the onerous circumstances or harshness of the type of work you do. Yet (3) is not really relevant, due to the job balancing of BJCs. While (2), remuneration, is best assessed by one's work colleagues and peers, there's no one right way to do this. One workplace might assume everyone is at average by default and just remunerate according to hours worked, with deviations from it registered in only special cases, and only with a minimal and few grades of ratings. Indeed while Albert is loath to blueprint, this is the expectation he believes most workplaces would take, and indeed favours.

Remuneration would also need to be regulated in terms of the total compensation one workplace receives with what others receive. In effect, this sets an objective standard for the assignment of effort ratings while productive resources are taken into account. We will touch upon the participatory planning process later where the socially planned quota of the WC is set, in which, of course, the council participates proportionally.

However, let's look back at the slogan: "From each according to ability, to each according to need." The Wikipedia article, quoting Marx, claims that the slogan, when used in this context, is originally Marxian, and is meant for a society without onerous labour: "Marx delineated the specific conditions under which such a creed would be applicable—a society where technology and social organization had substantially eliminated the need for physical labor in the production of things, where "labor has become not only a means of life but life's prime want".

Marx explained that, in such a society, everyone is motivated to work for the good of society because work would have become a pleasurable and creative activity. Now unless we can automate every task and job, it is perhaps unlikely we could ever remove all onerous, rote, and dis-empowering labour. If that is the case – and we wish to achieve classlessness and not violate our libertarian and participatory aims and values – then those onerous jobs should surely be shared.

There is nothing new in socially valued work effort being a condition of above average consumption entitlement. The Spanish CNT economic program of the 1930s is an example. Similarly, libertarian communists like Malatesta argued: “The only possible alternative to being the oppressed or the oppressor is voluntary cooperation for the greatest good of all.” The Italian argued that able-bodied people who refused to work, yet consumed the benefits of people labouring for them, were probably developing a taste for privilege!

In other words, our values are affected by this. Solidarity is reduced through resentment, and likewise for efficiency by rewarding sloth. The implications for self-management are to diminish it, giving non-workers more say than they should have. Diversity does not appear to be affected.

While the “according to need” maxim was a part of the sentiment of anarchist Spain, it was not the only or even the main operative norm; in fact, it could not possibly have been. Some levels of work, timing of participation, actual activity and so on, would have been found acceptable, and others not acceptable.

In this sense, what many actually mean when they think of an economy with remuneration “according to need”, actually equates with remuneration according to effort and sacrifice, tempered by need.

Albert has also pointed out how having this remuneration to an economic system without classes, and over a few generations, may have different implications and is certainly not the same as doing so from the very start. Both authors suggest an evolution towards more remuneration based upon need as the economy moulds behaviour and endogenous preferences over time. But even then, such an auditing/price mechanism and round-by-round coordination may still be needed to have an efficient modern and complex economy.

Participatory Planning

In addition to re-designing jobs to facilitate self-management, we also need to abolish markets as a means of allocating goods and services. This is because, like the corporate division of labour, markets destroy solidarity and self-management; “This occurs not only due to disparities in wealth translating into disparate power, but because market competition compels even council based workplaces to cut costs and seek market share regardless of the ensuing implications.” Workers will eventually appoint un-recallable managers to compete and increase output. For recent examples of this see market socialist Yugoslavia, the occupied factory movement in Argentina, or the history of the Mondragón co-operative in Spain.

As an alternative to both markets and central planning, parecon proposes allocation through “participatory planning”. “We say that the alternative is to have the entire population directly create the plan themselves” and that “the education system and the availability of information should be such as to facilitate this.”

Planning is conceptually quite simple, and is part of everyone's BJC. The participants are the workers councils (WCs) and federations, the consumer councils (CCs) and federations, and an Iteration Facilitation Board (IFB — a group of BJC workers providing information to participants in each round).

This yearly planning procedure (say, two weeks or less) can be broken down into 4 steps:

1. "The IFB announces what we call 'indicative prices' ('prices indicating the social costs and benefits associated with the use of goods and services' or preliminary estimates) for all final goods and services, capital goods, natural resources, and categories of labour.
2. Consumer councils and federations respond with consumption proposals. Worker councils and federations respond with production proposals.
3. The IFB then calculates the excess demand or supply for each final good and service, capital good, natural resource, and category of labour, and adjusts the indicative price for the good up, or down, in light of the excess demand or supply.
4. Using the new indicative prices, consumer and worker councils and federations revise and resubmit their proposals.

The planning process continues until there are no longer excess demands for any goods, categories of labour, primary inputs, or capital stock; in other words, until a feasible plan is reached."

Classes of goods and services are grouped together into categories according to the interchangeability of the resources, intermediate goods and labour required to make them, as well as some of the easily predicted variation of optional features. Producers provide quality items that people will like. If people don't like some, they don't provide more of that and this is recorded over time. If producers offer up sweaters people don't like, (despite using focus groups, or statistics and sample sizes to obtain size, style, colour and so on), people won't purchase them at distribution centres, and styles will be changed. Choices can be changed as the year progresses and producers can adapt their products.

To simplify updating during the year and after the yearly planning period, "slack" is used. Industries produce more and plan excess capacity so they can expand output if needs be. The US has 15–25% unutilised capacity; this is easily 2 to 3 times more than what would be needed in a parecon. Only affected regions or federations of industries need adjust for any change. Processing and meeting time is not zero in capitalism and corporations are already planned economies, using estimations of consumer demand and statistics in terms of fine detail of final products.

So parecon does not take the "one big meeting" approach to economic planning with endless large-scale meetings resulting in chaos and stagnation. "Many of the procedures we recommended were motivated precisely to avoid pitfalls in the naïve illusion that 'the people' can make all economic decisions that affect them in what amounts to 'one big meeting'...Our participatory planning procedure is one that literally involves no meetings at all." So any meetings to decide on proposals regarding one's own activities are meetings within, not between, councils and federations. Instead the proposal is a procedure in which councils and federations submit proposals only for their own activities, receive new information including revised estimates of social costs, and resubmit proposals, again, only for their own activities. A parecon might decide that people act individually during the majority of planning rounds. Each production unit must

only prepare detailed proposals about its own self-activity; which any production unit must do in any economy.

Parecon not only eliminates the perverse incentive inherent in central planning to disguise one's true capabilities, it provides all councils with information to easily find if any work or consumption proposal is socially responsible, i.e. fair and efficient. Because 99% of the votes are "no brainers," this does not need to be contentious or time-consuming. If a WC's social benefit to social cost ratio is one or higher ($SB/SC > 1$), then we are better off if they are given permission to do what they've proposed, otherwise we are worse off. There is a similar "no brainer" rule for how to vote on CC proposals. Because, say, 99% of the voting can be done automatically, and 99% of the votes can be taken care of by federations rather than individual councils, (votes only have to be on proposals of councils within their worker and consumer federation), all this voting really takes up very little time.

Nor do we have to do this for millions of different proposals from councils in distant cities and states. If there are 10 neighbourhood CCs in a ward federation, then only the other nine councils in that ward federation need to vote on each of their proposals. If there are 10 ward federations in a city federation, then only the other nine wards in that city need to vote on each ward proposal. Wards will need to check on other ward averages, and cities will need to check on other city averages, but this still eliminates 99% of the proposals any single entity must vote on. In other words, most of the voting can be decentralized and taken care of within federations.

While computers would save more time facilitating planning and credit-card technology can aid consumption and stock levels, computers are not required by participatory planning making it more efficient than central planning in this regard. The only calculations required are adding individual proposals into aggregate proposals and comparing aggregate supply and demand for each item. The percentage excess supply or demand indicative prices could be adjusted without the aid of computers.

I believe parecon warrants serious attention and investigation by those who wish to see a coherent classless economy, where workers and consumers cooperatively, and efficiently, negotiate economic outcomes with no class divisions. The main advantage of parecon is that the power to plan is no longer exclusive to elites, or, as in a market socialist system, unevenly distributed among elite conceptual and manual workers, but rather open to all. Participatory economics has the potential to transcend capitalism and also market and centrally planned socialism by establishing core institutions that promote solidarity, equity of circumstance and income, diversity, participatory self-management, classlessness, and efficiency in meeting human needs and developing human potentials. To quote the late Howard Zinn, "Participatory economics is an imaginative, carefully reasoned description, of how we might live free from economic injustice." There is an alternative.

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