# The Sad Conceit of Participatory Economics

Odessa Steps (Anarchist Federation in Britain)

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Participatory Economics (parecon) was proposed in two books (The Political Economy of Participatory Economics, and Looking Forward: Participatory Economics for the Twenty First Century) and has some support among anarchists and autonomists. It is a system for managing the economy of (present and) future society based on a fairer relationship between producer and consumer. While it continues to make use of a (modified) market, it seeks to abolish the power of capitalists to dictate the value of our work and the cost of consumption (i.e. wages and prices) by establishing a democratic, participatory economy based on socialized production but individualized consumption. Now who could argue with that?

As social and organizational anarchists, members of the Anarchist Federation in Britain believe that a free, fair and stable society of the future must be of a particular kind — anarchist communism. But as class struggle anarchists we rarely spend a lot of time thinking about, describing and experimenting with the forms of the future society; we're too busy fighting the one that exists today.

This gives people who are not anarchist communists the opportunity to imagine, test and promote ideas which will be ready to hand when a revolution occurs.

Now this matters because it is likely that the revolution will not be brought about by a single organization, by a group of organizations or even millions of individuals believing one set of things about how society should be organized. It is likely that before, during and after the collapse of capitalism dozens of theories and many practical expressions of these theories will emerge. On the one hand, that could be a very good thing. But what if what is proposed and actually implemented is not libertarian in nature or has the capacity or potential to recreate capitalism? Are we then to have to fight a second revolution against such ideas? Or do we challenge them now?

One such system is called Participatory Economics (parecon). It was proposed in two books (The Political Economy of Participatory Economics, and Looking Forward: Participatory Economics for the Twenty First Century) and has some support among anarchists and autonomists. It is a system for managing the economy of (present and) future society based on a fairer relationship between producer and consumer. While it continues to make use of a (modified) market, it seeks to abolish the power of capitalists to dictate the value of our work and the cost of consumption (i.e. wages and prices) by establishing a democratic, participatory economy based on socialized production but individualized consumption. Now who could argue with that?

Work and consumption is self-managed. Production is managed by factories and workplaces organized in producer federations. These decide what they will produce, at what input cost (price), and in what quantity. The right to consume is earned through work, with society granting individuals 'consumption shares' in return for labor. People who choose not to work earn no shares (not even dole) and don't eat. How many consumption shares we earn is decided collectively with each job graded according to the social cost of production and the effort required; basically the less socially-costly the job but the more effort required, the higher the wages, sorry, 'share'. The relations between individuals and society-at-large are mediated through producer/worker and neighborhood/consumer councils. Coordinating and mediating federations called Iterative Facilitation Boards (IFBs), would set prices based on the social cost to produce things and wages based on the 'disutility' of particular kinds of work and the effort involved in our jobs. In order to create some basic level of fairness, each person would have 'balanced' jobs, with some shit work, some mental work, some manual work and so on, with varying rates of pay. Involvement in all the phases and stages of this economic process would be participatory and democratic in nature, creating an informed, empowered society of workers and consumers.

Parecon was invented by a group of American thinkers and economists and there's a lot more to it than this short description but you've got the principles. It is an incredibly complex market system that would require many millions of people to operate. For instance, there would be people actually measuring how hard a job is, assigning it a rating, balancing that rating off against millions of others, calculating relative costs and 'disutilities' and then trying to balance off the productive power and consumption of four or five billion people in millions of factories. To give you a flavor of this, consider this quote from one of Parecon's inventors to a question about calculating cost-benefit: "Say master carpentry has a disutility rating of .84 where 1.00 is the average disutility of labor in general. The indicative price of master carpentry labor would be calculated as follows: take the indicative price that emerges from the planning process — which will be the analog of the price of arable land with 20 inches of rain and a 3 month growing season, and just like the indicative price for that land reflects productivity and scarcity as determined by supply and demand through bidding from all potential users in the economy — and multiply that price for master carpentry labor by .84. In this way disutility can be combined with scarcity and productivity to give us an overall assessment of social opportunity costs of using different kinds of labor. Consider the vast effort that would need to go into making trillions of calculations of this kind in a more or less endless round of price- and wage-setting. Then think about the vast power that could be wielded by any group of people controlling this process. Think about how you would feel if a faceless bureaucrat somewhere was deciding how much your labor was worth this week, especially if that decision affected how well you ate, or whether you could afford healthcare or schooling (yes, in parecon you have to pay for housing, food, healthcare and everything else). Parecon uses market economics. All markets are subject to a series of influences: the supply of commodities or labor, the aspirations of actors within it, their relative power and so on. Like all markets it can be manipulated and controlled and its operation may not always be fair. Markets have ability to confer political power on those who control them. And that political power can be used to defend or extend our control over the market.

The pareconomists argue that the social problems that arise from a war between the classes (in the parecon world, between producer federation, consumer federations and IFBs) just wouldn't occur. They argue that in a balanced economy like parecon, you can only get higher consumption shares or lower prices by increasing the overall size of the cake, which is good because everyone

benefits don't they? This is the classic argument of capitalists if you think about it. Pareconomists say this: "In parecon, everyone gets a share of income based on the effort and sacrifice they expend in work" (Yes, Boss). Or this: "There is no way to aggrandize self or a group without benefiting everyone. For me to get ahead, the total product must grow or I have to expend more effort and sacrifice, which is fair enough." The capitalist says: "If I work hard and increase the total wealth in the world, why shouldn't I get ahead, you benefit too." Well yes, but now you're rich and powerful and we're not. In an FAQ about 'dissent', a pareconomist explained that if you had a dissenting view from the majority, you still might be able to persuade your local producer federation to give you the means to express your dissent through, say, a radical magazine, if they thought dissent was useful to society. Might they be persuaded by propaganda, bribery or threats? You betcha! So under parecon, dissent can be stifled by being denied the physical means to express itself unless you have the means of persuasion to hand. Individuals and groups with money (and that's what consumption shares are), can influence society into believing particular things and taking decisions based on that belief. For instance: "Entrepreneurs like me can run your schools more efficiently than the education federations!" Pareconomists have no ideological defence against such a proposal. They simply say, "If it's true, society benefits so let him do it. If it's not true, society will find him out and take away his right to run the school". Yeah, sure! The ability of 'society' to reclaim badly-used resources from their 'owners' or 'users' is entirely dependent on the power of ordinary people versus the power of the owning and managerial classes. Suppose I had taken the prudent step of saying: "I can provide national security and personal protection at half-price. Let me run your army and police force" first? After all, that's what the first monarchs, priests and chieftains did. What then?

Parecon has within it the scope for large inequalities since it allows people to accumulate wealth over time and its only defence against people or groups taking control of parts of the economy and using it for their personal benefit is that the rest of us wouldn't let them. If true, we wouldn't be in the mess we are today. In parecon society, workers councils and producer federations control the means of production; after all, they are in physical possession of the mines, factories and transport systems. The federations exist, in part, to get the highest price they can for their member's labor. The iterations between consumer, producer and coordinator can easily become negotiations in which monopoly of the productive power can be used to bargain up consumption shares (wages) and bargain down prices. Consumers may be able to resist price-fixing for 'luxury' items but what about bread?

Many people fascinated by parecon ask would there be a government to control all this? Pareconomists reply that government exists to correct market deficiencies or supply goods (like national defence or healthcare) that markets are bad at supplying. In the perfect world of the parecon, these goods can be supplied by the producer federations. But there will still, apparently, be a need for political institutions to make decisions about: "war and peace, whether drugs are legal or not, what the rules and procedures of the criminal justice system will be, immigration policy, etc". Pareconomists tend to argue that the political and economic spheres would be largely separate. But political institutions making policy decisions do intrude into the economic arena. Immigration policy determines the supply of labor and the cost to local economies of losing or gaining workers. Drugs policy can make certain products illegal and close down the factories producing them. A criminal justice system could declare 'economic sabotage' (strikes) illegal. Parecon does not seem to rule out political parties. They could capture these institutions wholesale, using the economic and organizational power of supportive producer federations to blackmail the rest of

society or persuade us to vote 'Socialist Worker For A Fair Society!' Pareconomists seem to ignore entirely the lessons of the Russian Revolution about how a tightly organized, ideological faction could take over economic and political institutions in a supposedly free society. Or the lessons of the Spanish Revolution about how coordinating institutions like banks, commodity and production boards and so on can be captured and used against rival groups and the parts of the economy they control, for instance by bankrupting their factories (and yes, factories can be bankrupted and closed in the parecon society).

Parecon is a system in which you are compelled to work in the regulated system of the parecon. Bureaucrats establish the value of the work you do and the reward you get for that work. They also control prices and the cost to you of the things you need. The sole mechanism of control is our participation. which to work is made obligatory on all people: "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". Our obligations! Enforced by who? In parecon, as with capitalism, wages and prices are determined by a series of power relationships, mediated by a market (the IFBs). It cannot prevent wealthy entrepreneurs from taking control of parts of the economy or powerful federations controlling prices or exploiting monopolies. The political institutions we use to balance power between producer and owner (government, parties etc) would either be non-existent or have to be re-invented to establish new controls. Its only overall regulating mechanism is the amount of what's available but as we know to our cost, it's not the size of the global economy that matters it how it is shared out that sucks. Though the means of production are socialized, individual property is not. Accumulated wealth confers power that enables people to grab, protect and increase their property. Parecon does not say how it will prevent private ownership developing except to say "it won't". What is to stop property accumulation beginning with entrepreneurs taking control of production? What is to stop producer units selling 'surplus' production outside the regulated economy and pocketing the profit? Pareconomists admit they could not stop black economies where people buy and sell goods and labor outside the regulated (sorry iterated) economy developing. What then? If you want to dissent, you must ask permission or starve. If you want to live and work outside the system, parecon has laws for people like you.

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