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# Debating Economic Vision for a Society without Classes

A Reply to “The Sad Conceit of Participatory  
Economics”

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This is a reply to “The Sad Conceit of Participatory Economics”  
by Odessa Steps, which appeared in *The Northeastern  
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issues that I've raised, I think libertarian communists might arrive at something like parecon for the reasons that I have.

For a clear statement of the parecon program that directly addresses many of the issues that Odessa steps on, I recommend Parecon: Life After Capitalism, by Michael Albert.

people going to pay Jones if there is no cash? And how are Jones' employees going to gain entitlement to their consumption? And why would anyone work for a boss when meaningful, balanced jobs are available in self-managing industry? And how is Jones going to get all the lawn-mowers and gasoline allocated if this is going to be a significant venture? Resources for social production are only available through the social allocation process in a participatory economy. And resources are not available to production entities that violate the basic norms of self-management, balanced jobs, and remuneration for effort or sacrifice.

Steps says, "Parecon is a system in which you are compelled to work in the regulated system of the parecon."

Yes, if you live in a society with an economy, you participate in that economy. Or maybe you find some escape hatch. But this is not unique to parecon — it is a feature of any possible social system. Steps says that anarchist-communism is "voluntary" but doesn't explain how this can be. Would a child born into an anarchist-communist society not be compelled to live in ways structured by anarchist-communism? If someone wants to employ wage slaves, can they do so?

"Anything goes" is not a workable guide for social organization. We are social beings, with social benefits and responsibilities. Liberty for me is good up to the point that my liberty prevents you from having an equal liberty. "Anything goes" for me would be incompatible with "anything goes" for you and everyone else.

Libertarian communism stands for a non-market, classless society based on social ownership of the means of production and direct empowerment of people, a cooperative venture for the common benefit rather than a competitive struggle for narrow advantage. There is no disagreement between libertarian communism and parecon on that aim. Starting from that aim, and keeping in mind the kinds of allocational and structural

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Let's suppose that you want to be socially responsible in your consumption. If there are no prices for products, how do you know how much of society's scarce resources are embodied in different products?

Prices in a parecon tell us the relative importance to people of the various resources used to produce the products we may wish to consume. Without these relative valuations to inform our decisions, we can't be socially responsible even if we wanted to be, nor can our society know how to make the best use of its vast and rich array of capacities. To have an effective use of scarce resources, we need to know the preferences of everyone for possible productive outcomes.

How is an anarchist-communist economy going to retrieve and make use of that information? Within parecon, this information is available because consumers express their preferences for productive outcomes in the planning process, up to the limit of their share of total consumption.

Steps says: "Parecon has within it the scope for large inequalities since it allows people to accumulate wealth over time..."

Steps never explains how these large inequalities are supposed to emerge. The job balancing system would tend to equalize the amount of effort or sacrifice that each job requires. Differences in income would arise mainly from differences in the number of hours people choose to work. People can save but this is just delayed consumption.

It may take some skimping before Tyrone has saved enough consumption credits to be entitled to the resources needed to build that ocean-going boat he always wanted. But this doesn't imply that Tyrone is getting a larger than average total share of life-time consumption.

Maybe what Steps is worried about is a scenario like the following. Suppose that Jones saves and then buys lawn-cutting equipment. And then Jones offers lawn-cutting services. Due to the great popularity of this service, Jones then hires people and a major capitalist enterprise has emerged. But how are

if you don't work, you don't get to share in the product of our labors," are we Steps' boss? To look at it that way would be to adopt a form of anti-social individualism.

In anarchist-communism, everyone would have an income, of course — the income is simply whatever it is that they consume. How is this determined? The communist principle says: "From each according to ability, to each according to need."

This makes sense sometimes. If someone is injured in an accident, I would want them to get medical care irrespective of whatever work they have done or not done. Even now there are things that society provides on this basis, at least approximately, such as sidewalks and firefighter services.

In the parecon structure, the community and worker councils, and the federations of them, would have the power to decide how far they want this principle to extend.

But it isn't clear how an entire economy would be feasible if run on the communist principle. How is "need" to be determined? How is this different from each person simply taking from the social product whatever they want? So, a person walks into a distribution center and simply takes the clothes and food they want and so on? Wouldn't that mean that those who are more aggressively self-centered in taking things would have an advantage? People have desires, not just "needs." If individuals make their own decision about what they "need," then "to each according to need" becomes, "to each as they desire."

Steps talks about workers refusing to produce for people who are "greedy." But how are workers hundreds of miles away, or in a metropolitan area of millions, going to find out about the "greedy" behavior of someone? Moreover, what is the criterion for being "greedy"? This presupposes a limit to how much a person is warranted in consuming — but Odessa doesn't reveal how this limit is determined. (Repeating the word "need" doesn't answer the question.)

## Two Classes or Three?

The working class is a subjugated and exploited group within capitalism. As class struggle anti-authoritarians, we believe that the working class has the potential to emancipate itself from class oppression, and in doing so it creates a new social structure without a division into classes. But how is this possible exactly?

As I see it, participatory economics (often abbreviated as parecon) is an attempt to specify the institutions of a new economic system in which class oppression no longer exists.

A vision of a society beyond capitalism is important both to motivate struggle today as well as to provide guidance on the strategy for social change that we pursue.

But what creates the division of society into classes? A class is a group differentiated by power relations in the production of goods for each other in society. There can be different structures in society that can provide power that is the basis of a class.

First, there is ownership of land, buildings, and other means of production by a minority investor class. The rest of us are thus forced to sell our time to the owners in order to live. Marx held that ownership is the basis of class division within capitalism. From this he inferred that capitalism has two main classes, workers and capitalists. Odessa Steps belongs to the Anarchist Federation (in the U.K.), which also has a two-class theory:

"We see today's society as being divided into two main opposing classes: the ruling class which controls all the power and wealth, and the working class which the rulers exploit to maintain this"  
(from the AF web site).

But there is not just one class that has "all the power" to which the working class is subordinate. In addition to the capitalist and working classes, capitalism generated a third main

class — the techno-managerial or coordinator class. The coordinator class includes managers, and top experts who advise managers and owners, such as finance officers, lawyers, architects, engineers and so on. These are the people who make up the chain-of-command hierarchies in the corporations and the state. The bosses who working people deal with day to day are mostly the coordinators.

The members of this class may have some small capital holdings but mostly they live by their work. The basis of their prospects in society are things like university educations, connections, and accumulated expertise.

The capitalist and coordinator classes together are about a fourth of the population in the U.S. According to Michael Zweig's recent book *The Working Class Majority*, the working class proper is about 60 percent of the population. In a grey area in between are the lower-echelon of professional workers — teachers, writers, application programmers, etc. These groups are not a part of the coordinator class — they're subordinate to the management hierarchy and often form unions to struggle against the bosses. But they may share some features in common with coordinators, such as university degrees, professional elitism, or more autonomy in their work.

An important feature of the coordinator class is that it has the potential to become a ruling class. This is the historical meaning of the various Marxist-Leninist revolutions. Those revolutions eliminated the capitalist class, created economies based on public ownership, but, nonetheless, the working class continued to be subjugated and exploited. Each of the Marxist-Leninist revolutions consolidated a coordinator ruling class.

If we don't want a coordinator class to consolidate power in a future revolution, we need a program to prevent it.

To understand the parecon solution, we need to look, first, at the institutional building blocks proposed for empowering workers. The basic building blocks are worker councils in the workplaces and community councils in the towns and

Instead, parecon proposes that, for those able to work, their share of social consumption should be determined by their effort or sacrifice in socially useful work. For those not able to work, the "to each according to need" principle would apply.

Steps says: "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)."

Even if capitalists say that, we don't understand capitalism from capitalist propaganda. The remuneration that capitalists get is based on their ownership of the means of production. They don't have to do any work at all. Non-owners are remunerated according to their bargaining power in the labor market. People are not paid more for working harder, for having more boring or dangerous or risky jobs, or for enduring more intense supervision and subordination.

In addition, why does it follow that my getting an income based on my effort and sacrifice means that I am subordinate to some boss — and who is that boss, in a participatory economy?

Suppose Steps, myself, and two hundred others are stranded on an island. It looks like we're going to be there for a long time. We need to find food, cook it, build shelter, entertain ourselves, create schools for kids, and so on.

A pareconista would favor our all getting together and figuring out how to apportion tasks so that we all have a balanced job with our share rights in the social product deriving from effort and sacrifice (except for those unable to work or too young). If we all agree to this, where is there a boss?

What would Steps favor as an alternative? Perhaps Steps would rather spend his or her days swimming and day dreaming, and maybe enjoying music and stories that others create — but doing none of the onerous and demanding work of the island — and eating well, and having a nice, dry hut. Of course we can't all do that, or we would all die, as there would be no food. So why does Steps get the privilege? If we all say, "No,

So long as a sufficient number of readers value your magazine enough (as an item of private consumption) in the planning process that your magazine group can approximate to the socially average cost/benefit ratio (as revealed by social valuations of inputs and outputs in the planning process), your magazine is entitled to its allocation of resources...even if a majority of the population detest it.

Yet, Steps objects to individual members of society assigning part of their consumption share to means of social persuasion. But their ability to do so is necessary to avoid precisely the objection about minority dissent being stifled. In order for minority cultural tastes and viewpoints to be respected, the libertarian economy needs to have a means for individuals to express preferences for products without the majority having a right to veto it. If anarchist-communism means that the collective social organization must decide what I get to consume, how is this consistent with personal freedom?

## Income

Steps says, “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’.”

This is incorrect. Steps confuses the value (social opportunity cost) of your labor with your remuneration. The value of your labor depends upon how highly people desire the things it produces. The ability of your labor to produce these outcomes depends upon things that you are not individually responsible for — educational opportunities, who you are working with, the equipment you have available, your genetic endowment. That’s why pareconistas oppose remunerating people for the value of their labor.

neighborhoods, and federations of these throughout society. Through directly democratic processes in these councils, the working class gains an institutional foothold for its emancipation. The Anarchist Federation also seems to accept worker and community councils as building blocks of a “free society.” Thus far, we seem to be in agreement.

But council self-management is not sufficient. If one person is confined to sweeping the floors and cleaning toilets throughout the year, and another person spends their days on in-depth analysis of the industry’s problems, how can they have equal power in decision-making?

The power of the coordinator class is based on the relative monopolization of expertise and decision-making. To dissolve the power of this class, we need to systematically redesign the jobs in the economy so that the work of conceptualization and decision-making is not concentrated into the hands of an elite. The tasks of physically doing the work, and the tasks of design and making decisions, are to be re-integrated into the heads of the same people, so that the working class can attain mastery over the process of production.

Parecon proposes to do this through a process that ensures that each job is balanced for the impact it has on the power a person wields in the running of industry. Everybody is to do skilled work and everyone is to participate in the manual work of production. Of course, this presupposes a big change in the educational system, widespread democratization of knowledge, and maybe some of the simplification of technology that Odessa Steps mentions. (Anton Pannekoek came close to this vision in his book *Workers Councils*.)

The parecon name for this proposal is balanced jobs. Odessa Steps comments as follows: “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.”

But the point to balanced jobs is mainly not “fairness,” but creating a situation of balanced empowerment effects from each person’s job so that there can be real — not fake — self-management. In other words, without balanced jobs, we can’t dissolve the class distinction between the coordinators and the working class. The working class will remain a subjugated and exploited class.

A weakness of traditional anarchism is that it had no clear program for dissolving the power of the coordinator class, perhaps because it failed to develop a theory of this class.

Odessa Steps mentions job rotation as a solution. But job rotation, by itself, is inadequate. If the boss condescends to do the janitor’s work once a month, he is still a boss. That’s just tokenistic slumming.

## Political Power

Participatory economics is a vision of an economic structure. But any viable society will also have a means of setting basic rules and of enforcing those rules. This means the society will have a way to govern itself. Any such structure I call a polity.

The state is a form of polity but it is not the only possible form of polity. States under capitalism have tended to greatly expand their scope of operation, taking on many economic tasks, such as public transit, water and sewage, health care, environmental regulation and so on. This expansion comes about partly due to market failures, partly due to popular pressure. The state sometimes acts contrary to what the capitalists want because it must maintain social peace if it is to govern.

The state is organized as a chain-of-command hierarchy analogous to private corporations. The state has at its disposal hierarchically controlled bodies of armed people to enforce its rules. This hierarchical structure separates the state from effective control by the mass of the population. This separation

Worker councils in the building materials industry might respond by proposing an increase in resources to their industry to increase output. This sort of back and forth process continues until the overall agenda for social production is finalized. (The planning process is not “endless,” as Steps says; it eventually ends in a plan.)

Prices thus fall out of the preferences of workers and consumers as manifested in the planning negotiations. Facilitators have impact on prices only in the same way as everyone else.

Another issue that Odessa wades into is dissent:

“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.”

First, consumption shares are not money in the sense of cash. They are an entitlement to have resources allocated, via participatory planning, to produce things you want.

Second, let’s look at the fate of dissidents. Suppose you are part of a group producing a magazine — how do you get paper and printer time? Parecon makes a distinction between collective consumption and private consumption. Proposals for collective consumption (such as pollution reduction or child care) are made by community councils and federations of them. But individuals can make proposals for private consumption that cannot be vetoed by the collectivity (so long as they aren’t proposing some prohibited activity like building an atomic bomb). Each consumer can request products whose total value (including their share of collective goods) isn’t greater than their remuneration (limited by work effort or sacrifice). These requests impact the plan that assigns the resources to the worker councils making the products.



The impact from decisions ripples outward across the economy — some are impacted more, others less. This means that virtually the entire populace must have some impact even on the decision as to the number of bicycles produced at the local bike factory. In a participatory economy, self-management means having a say in decisions to the degree that you are impacted. Workers in a workplace do not unilaterally decide what they will produce, but instead they have a large say over the things that impact them most, especially what happens where they work, but they do not make decisions unilaterally because decisions about inputs and products impact others in the economy and the decision-making system must take those others into account.

At another point Odessa says:

“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.”

Prices in parecon are a product of the entire participatory planning process; they aren’t “set” by anyone. IFBs may communicate the prices that emerge in the planning negotiations, but they don’t set the prices.

Suppose that, at the outset of the planning process, the building materials councils have not proposed to increase production of concrete. But there is a big increase in requests for concrete from the construction councils, due to proposals by community councils for various construction projects.

A rule of a participatory economy might then mandate, at this stage in the negotiations, an appropriate increase in the projected price of concrete this year (starting from the current actual price). This higher price reflects the greater scarcity of concrete and the need to economize on its use, unless the worker groups are able to suggest ways to increase supply.

is needed for the state to perform its role in defending and promoting the interests of the dominant classes. The state’s performance of this role explains why the state has been continually re-created through many changes in class society.

A participatory economy needs an appropriate sort of polity to protect it; this couldn’t be a state if its role is to protect a self-managing, classless society. It would have to embody direct, grassroots control by the mass of the population.

The features of a classless society must begin to be embodied in the practices of the movement, or set of movements, that creates it. Features such as self-management and balanced jobs would need to be prefigured in the practices of a mass movement so that the participatory economy is an extension of that movement. I think it unlikely that a participatory economy could come into existence except through the emergence of a mass, self-managing workers movement that takes over the running of the economy and dismantles the state.

The liberation of the working class requires not only a new economic structure but also a new political structure through which we are empowered to defend our social order. Anarchists have not always been consistent in recognizing that the emancipation of the working class requires a structure of political power. This confusion contributed directly to the defeat of the Spanish revolution.

In July of 1936 the workers of the anarcho-syndicalist CNT union defeated the Spanish army in the streets of Barcelona. In the weeks following that victory they built their own self-managing union militia and seized the means of production. They were thus in a position to consolidate the revolution by overthrowing the regional government in Catalonia.

Some anarcho-syndicalists within the CNT at that time proposed to replace the regional government with a Defense Council, answerable to all the unions of the region, to defend the new social order and coordinate a unified militia. Clearly, they were

proposing to create the beginnings of a new polity, controlled by the working class.

A national CNT conference in September 1936 pursued this idea further, proposing that the Popular Front government be replaced by a National Defense Council, and regional defense councils, answerable to grassroots congresses. The socialist UGT union was to elect half the delegates to the National Defense Council. The head of the UGT was Largo Caballero, prime minister of the Popular Front government. Caballero vetoed the CNT proposal. The CNT's ability to get the UGT to go along was weakened by their failure to replace the government in Catalonia. (Later on in the Spanish civil war the CNT's proposal for a National Defense Council was revived by the Friends of Durruti Group.)

The Defense Council advocates believed that the moment had arrived for the CNT to carry out its libertarian communist program. As articulated at the CNT's Zaragoza Congress in May of 1936, this would have required industrial federations for self-management of industry, and a structure of community assemblies and federations of these, with regional and national grassroots congresses as the society's ultimate decision-making authority. The community assemblies were also intended as the means of popular input for consumption planning. A framework that provides for the making of society-wide rules, imposes a particular economic structure, and provides an armed militia to defend that social order is clearly a polity.

However, in the debates in Barcelona in July 1936, anarchists like Federica Montseny objected that taking power would create an "anarchist dictatorship," and, unfortunately, they won that debate. This was not the only argument that influenced the CNT decision to not overthrow the government of Catalonia, but it illustrates my point about anarchist confusions. The CNT enrolled a majority of the workers in Catalonia and a Defense Council would have also given representation

demand match. Thus according to Steps' concept of a "market," anarchist-communism would also be a market economy.

In reality, a market system is only a very special type of allocation system. In a market, production is "on spec" — firms, acting autonomously, produce on the expectation that the revenue from sale to buyers will enable them to profit. The consumers don't actually get together with the producers to decide ahead of time what is to be produced, as is the case with parecon.

Allocation of resources to actors in a market is attained autonomously. The market clout of owners of means of production enables them to force wages down to extract profits. Entrants in the labor market use any special advantages, such as credentials or connections, to seek privileged positions in the production hierarchy. This class monopolization over means of production and decision-making is eliminated in parecon. Nor is the income of the workers in a production group based on revenue from market clout in parecon.

Market competition drives firms to cut costs — keeping wages down, polluting the environment. No such competitive arrangement exists in parecon.

Odessa also writes: "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."

But worker councils and federations of these in a participatory economy do not decide autonomously on what to produce or what prices will be.

An economy is an integrated affair. What is done in one place will have a ripple effect throughout the economy. If a factory produces some volume of bicycles, say, the materials used for the bikes weren't used for other products, such as wheelchairs. This impacts the people who might have consumed the other things that could have been produced.

but which does so in a way that prevents the re-emergence of a market system. Sometimes anarchist-communists have proposed that people simply “arrange among themselves” about production beyond some level of free goods provided for “needs.” But doesn’t that leave room for a market system emerging in the personal consumption goods sector?

Parecon, says Odessa Steps, “is an incredibly complex market system that would require many millions of people to operate.”

Actually, the aim of participatory economics is to abolish the market system; there are no markets in parecon.

It’s true that participatory planning requires millions of people — in fact, the entire populace — to operate. Actually, it is true right now that the economy involves decisions made by everyone. Right-wing, capitalist economists like Friedrich von Hayek tell us that the planning that is now balkanized into thousands of companies and all the decisions by consumers in the market is “too complex” to be integrated into a social plan. The “invisible hand” of the market simplifies everything, they say. Does Steps agree with them?

If not, how does Steps propose that the population is to attain a comprehensive agenda for what to produce? How does Steps propose to avoid markets to mediate the relation between producers and consumers? How do we ensure that our work time and resources are not wasted? Odessa Steps uses vague rhetoric to evade these questions.

For Steps, a “market” is apparently any dynamic by which supply comes into accord with demand. But that is what any system of allocation tries to do.

Whatever is produced in an anarcho-communist economy, that is the supply. When people go to distribution centers in search of shoes or show up at meetings to demand shoe production, then you have demand for shoes. And if anarchist-communism is to be an effective economy, it must have some institutional mechanism to ensure that supply and

to the other unions. It would have been accountable to a mass congress of rank-and-file delegates, and ultimately to the assemblies at the base. How could this be a “dictatorship”?

No doubt it would be necessary to “dictate” to the bosses what their fate would be. That’s what a proletarian revolution does. The working class cannot emancipate itself from oppression if it doesn’t take over the running of the society — and that means “taking power.” By failing to create a grassroots structure to unite the working class apart from the state in the heavily industrial region of Catalonia where they had the most power, the anarchists made their capitulation to the Republican state inevitable.

The membership of the CNT unions would insist on unity with the UGT in a life and death struggle against the fascist army. Was that going to be a unity of leaders through the Republican state as the Popular Front parties advocated, or worker unity through new grassroots institutions of self-governance?

By failing to replace the government with new institutions of worker political power in Catalonia, the anarchists would find themselves with no way to counter the tremendous pressure to go along with the Popular Front strategy. Capitulation to the Popular Front led to the gradual evisceration of the workers’ gains as the civil war dragged on. On the other hand, replacing the government of Catalonia with a workers council could have pushed the UGT union to go along with a similar strategy for the whole of Spain.

My aim here is not to embrace the particulars of the CNT program of 1936 but to make a point about political power. It’s true that Marxists talk of “taking power.” The Marxist concept usually means the hoisting of political party leaders into control of a state. Just because we reject that idea, this should not blind us to the alternative of the people en masse gaining political power through their own mass institutions of grassroots democracy.

## Allocation by Market or Plan?

Resources are finite. There are only 24 hours in the day. If a group of carpenters spend the day building houses, the laws of physics tell us they cannot also be across town building a neighborhood health clinic.

Any possible economy must have some way to allocate scarce resources. An economy is effective if it avoids waste of these resources. We want to make sure that, if we spend our precious time making something, that is the best use of our time for satisfying the needs and desires of people.

No revolutionary program is complete unless it tells us what principles and institutions for allocation it is proposing. Two allocation institutions that have been promoted and used are central planning and markets.

A system of central planning, as in the old Soviet Union, presupposes a separate group, an elite of planners, who collect information from distribution centers and factories. Then they send down orders to the factories, telling them what to produce. This presupposes a relationship between the planning apparatus and the workforce that is irredeemably authoritarian.

The instructions that flow outward from the planners presuppose that the planning group have some way to enforce their decisions — hence the emergence of a hierarchical chain of command. Thus central planning presupposes the domination of the coordinator class over the working class.

Some libertarian socialists have advocated central planning. Although the proposals by Abad Diego de Santillan in *After the Revolution* and by Cornelius Castoriadis in *Workers Councils and the Economics of a Self-managed Society* are far more democratic than Stalinist practice in the Soviet Union, they are still forms of central planning.

Perhaps the most innovative feature of parecon is that it proposes a form of allocation that is neither based on markets nor central planning. This is called participatory planning.

Participatory planning is a horizontal, interactive and participatory process through which the entire society creates a comprehensive agenda for social production. Workers and consumers craft the plan directly by making manifest their own desires for products, for their work environment, and so on. There is no control by a planning elite. That's why it is not a system of central planning.

The initial proposals are not likely to lead spontaneously to a match of worker proposals for production and consumer requests for products. This means that a back and forth process of amending proposals in response to others then ensues. Consumers and workers make use of both qualitative information about potential ecological effects and workplace conditions and so on as well as prices to gradually alter their proposals until agreement is reached on a plan. Prices emerge as a reflection of how strongly people prefer certain possible productive outcomes over others.

Prices are used to encapsulate the value to everyone of the resources that are consumed in making things. It is necessary to track this if we are to allocate resources in a way that effectively meets people's needs and desires. It would be tyrannical to force everyone to consume the same thing. Even if Tyrone and Winona do the same amount of work, and have earned the same consumption share, they may wish to take this in the form of a very different mix of goods.

Winona may wish to spend more of her income for living space and skimp on other things — maybe she wants room for painting or a large garden. Tryone, on the other hand, may be willing to live in a one-room shack if he can use a part of his income to acquire a boat for sailing on the open sea. We need an economic vision that allows people to take their share of consumption in a variety of products as determined by them