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Michael Albert and Robin Hahnel

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ABSTRACT: We argue for the feasibility and desirability of a "third way" besides markets and authoritarian planning by (1) describing the main features of a model of "participatory planning," and (2) responding to objections that the system requires too many meetings, is too intrusive, misfocuses democratic energies, and lacks sufficient incentives.

INTRODUCTION

As the 20th 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 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.

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 "command economies" have been tried with questionable results. 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. Of course there are 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

Coeditor, *Z Magazine*, 116 St. Botolph St., Boston, MA 02115.
Department of Economics, The American University, Washington D.C. 20016.

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 which 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 not withstanding, 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.

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.

But what is wrong with the original socialist vision? Why can't workers and consumers coordinate their joint endeavors themselves — consciously and democratically? Why can't consumers' and workers' councils propose what they would like to consume and produce, and revise their own proposals as they discover more about the impact of their desires on others? What is impossible about a social 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 themselves, equitably and efficiently?

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, since it is impossible to democratically plan a large, complex, modern economy.[1] 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, nonmarket, 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 Albert and Hahnel (1991a), we presented a theoretical model of participatory planning and carried out a rigorous welfare-theoretic analysis of its properties. In Albert and Hahnel (1991b) 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 main features of the model of a participatory economy presented in those works including how production would be managed by worker councils and federations using balanced job complexes; how consumption would be organized by consumer councils and federations according to the principle "to each according to his or her work effort;" and 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.

The usual argument against such a system has been to insist 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, nonmarket 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 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. All 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 incentives for them to pursue socially beneficial innovations, we leave to the discussion of participatory planning and incentives below.

CONSUMERS' COUNCILS

Every living unit would belong to a neighborhood consumption council, which would belong to a federation of neighborhood councils the size of a city ward or rural county, which would belong to a state consumers' federation, which would belong to the national consumers' federation. The major purpose for this nesting of consumer councils and federations is to allow for the fact that different kinds of consumption affect different numbers of people. If everyone affected by consumption activities does not participate in choosing them, not only is there a loss of self-management, but, if the preferences of some are disregarded or misrepresented, there is 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 workplace. Using what we term "indicative prices" that approximate the true social opportunity costs of producing goods, 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."[2] 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 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?" (Friedman 1982: 164). 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 marketplace 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 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.[3]

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 "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 win 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. We present a formal model of the procedure and brief discussion of its properties below.

y(h) is the vector of different consumption goods requested by consumer council h.
y(j) is the vector of outputs worker council j proposes to produce.
a(j) is the vector of produced inputs requested by worker council j.
$y = \Sigma\{y(j)-a(j)\}j$ is the vector of aggregate net outputs.
r(j) is the vector of nonproduced resources requested as inputs by worker council j.
r^* is the vector of available non-produced resources.
K(j) is the vector of machines or capital goods worker council j has on hand initially.
k(j) is the vector of worker council j's proposed additions or releases of capital goods.
L(j) is the vector of different kinds of labor initially present in the membership of worker council j.
l(j) is the vector of worker council j's proposed additions or releases of different kinds of labor.
p is the vector of prices of produced goods.
p(r) is the vector of prices for nonproduced resources.
p(k) is the vector of prices for capital goods.
p(l) is the vector of prices for categories of labor.
W(h) is a function representing the well-being of consumer council h and depends on the vector of goods and services consumed, y(h).
W(j) is a function representing the well-being of worker council j and depends on all the inputs and outputs in the work process: a(j), k(j), r(j) and l(j).
H is the number of consumer councils all of which have the same number of members, each of whom we assume for convenience has the same effort rating.
$I(a) = py/H$ is the average income per consumer council.
$\$(h) = dW(h)/dI(a)$ is the marginal utility of income to consumer council h.
$0 < b < 1$ is an adjustment coefficient.

The procedure is:

(1) Each consumer council and federation, h, makes an initial proposal listing the quantities of each consumption good it wants to consume, y(h).
(2) Each worker council and federation, j, makes an initial proposal listing the quantities of all outputs it would provide, y(j), and the quantities of all inputs it would use, including intermediate goods

produced by other units, a(j), nonproduced natural resources, r(j), machinery that must be on hand, K(j)+k(j), and the number of hours of different kinds of labor necessary, L(j)+l(j).

(3) The IFB quotes an arbitrary price vector:

$$P = [p, p(k), p(r), p(l)].$$

(4) Each consumer council, h, changes its request for good i according to the following rule:

dy(ih) = 0 if y(ih) = 0 and [dW(h)/dy(ih) - \$(h)p(i)] < 0
dy(ih) = b[dW(h)/dy(ih) - \$(h)p(i)] otherwise

(5) Each worker council changes its proposal by increasing, decreasing, or leaving unchanged the a(ij), k(ij), r(ij) and l(ij) according to the following rules:

da(ij) = 0 if:
a(ij) = 0 and {dW(j)/da(ij) + pdy(j)/da(ij) - p(i)} < 0
da(ij) = b{dW(j)/da(ij) + pdy(j)/da(ij) - p(i)} otherwise
dk(ij) = 0 if:
K(ij) + k(ij) = 0 and {dW(j)/dk(ij) + pdy(j)/dk(ij) - p[k(i)]} < 0
dk(ij) = b{dW(j)/dk(ij) + pdy(j)/dk(ij) - p[(k(i)]} otherwise
dr(ij) = 0 if:
r(ij) = 0 and {dW(j)/dr(ij) + pdy(j)/dr(ij) - p[r(i)]} < 0
dr(ij) = b{dW(j)/dr(ij) + pdy(j)/dr(ij) - p[r(i)]} otherwise
dl(ij) = 0 if:
L(ij) + l(ij) = 0 and {dW(j)/dl(ij) + pdy(j)/dl(ij) - p[l(i)]} < 0
dl(ij) = b{dW(j)/dl(ij) + pdy(j)/dl(ij) - p[l(i)]} otherwise

(6) The IFB changes the prices, P = [p,p(k),p(r),p(l)] according to the following rules:

dp(i) = 0 if p(i) = 0 and [Σ{y(ih)}h + Σ{a(ij)-y(ij)}j] < 0
dp(i) = b[Σ{y(ih)}h + Σ{a(ij)-y(ij)}j] otherwise
dp[k(i)] = 0 if p[k(i)] = 0 and [Σ{k(ij)}j] < 0
dp[k(i)] = b[Σ{k(ij)}j] otherwise
dp[r(i)] = 0 if p[r(i)] = 0 and [S{r(ij)}j - r*(i)] < 0
dp[r(i)] = b[Σ{r(ij)}j - r*(i)] otherwise
dp[l(i)] = 0 if p[l(i)] = 0 and [Σ{l(ij)}j] < 0
dp[l(i)] = b[Σ{l(ij)}j] otherwise

(7) Repeat step #4.
(8) Repeat step #5.
(9) Repeat step #6.

Under strict convexity assumptions for both consumer and worker well-being functions, this procedure will converge to a feasible and optimal plan, and generate "efficiency" prices for labor[4] and non-labor resources and plant and equipment. Technically, our model is a variation of a well-known procedure developed by Arrow and Hurwicz (Arrow, Hurwica and Uzawa 1958). The proof that such procedures converge to Pareto optima and efficiency prices is conveniently outlined in Chapter 4 of Heal (1973). The proof hinges on the stability properties of gradient procedures for finding saddle points which are proved in LaSalle and Lefschetz (1961). An extension of the stability theorem to cover discontinuities in the rates of change of variables when boundaries are reached and the non-negativity constraints become binding can be found in Henry (1972).

Our model is quite different in substance from the one discussed in section 4.11 of Heal (1973). We have consumers' councils maximizing their well-being subject to constraints while Heal stipulates an overall social welfare function. And we have workers' councils maximizing their well-being subject to a constraint whereas he stipulates profit maximization. But despite these substantive differences, our model is technically the same as Heal's model of section 4.11, so the convergence proof he outlines applies to our model as well.

Obviously, our consumers' councils are different from the consumers of traditional theory since they include a number of people, whose individual preferences presumably differ. Our modeling of workers' councils is even farther removed from traditional treatments of production. In addition to treating groups rather than individuals, we have framed workers' choice in exactly the same terms as consumer choice. Since this is novel there has been little previous discussion of what the convexity properties of such preference orderings might be like.

On the other hand, in our opinion convexity assumptions have long been assumptions of convenience rather than conviction for most economists. The reasons for doubting the plausibility of convexity assumptions in traditional treatments of market and centrally planned economies have long been numerous and compelling. But the necessity of ignoring these doubts in order to proceed has been more compelling still. In this vein, we do not see working through the logic of our economic model under what are in all likelihood dubious convexity assumptions as any different than most traditional analyses of more familiar economic systems. But unlike many who make use of convexity assumptions in theorizing, because we expect the real world to prove inconveniently non-convex, we discuss modifications of the formal procedure to deal with problems caused by non-convexities when they arise.[5]

OBJECTIONS TO A PARTICIPATORY ECONOMY

Too many meetings: First we give some other peoples' answers: Pat Devine's response to this objection to his version of democratic planning was:

> 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. (North 1984). Thus, 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. (Devine 1988).

In his review of *Looking Forward*, David Levy wrote:

> 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 bills. 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. (Levy 1991).

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 are 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 workplace meetings in a participatory economy than a hierarchical one. But this is because most people are excluded from workplace 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. Also meeting time is part of the normal work day, in participatory workplaces 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 Albert and Hahnel (1991b) 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 ones leisure time.

But how much meeting time is required by participatory planning, which we did described 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.[6] 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.[7]

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: Nancy Folbre referred to this problem as "tyranny of the busy-body" and "dictatorship of the sociable," and cautioned of the potential inefficiency of groups dominated by the sentiment, "Let's not piss anybody off." (Folbre 1991: 67-70). David Levy observed 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" (Levy 1991: 19). In 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?

Let us reiterate features of our model designed to protect the citizenry from tyrannical busybodies. 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 busybody 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 antisocial should suffer no material penalty. In our view, 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 more educated.

But we 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: In private communication Pat Devine criticized our model for overly concentrating on popular participation in small and local decisions at the expense of larger social issues. 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 that we attach too little importance to long-term development and investment decisions. In Albert and Hahnel (1991a) 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 Albert and Hahnel (1991b) 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.[8] 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 federations would play an active role in defining long-term options. And with the aid of reasonably accurate estimates 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 nonmaterial 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 undersupplied 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 workplaces, 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 not 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 traditional socialist thinking on this matter: 1) A mixture of material and social incentives is necessary during the process of creating an equitable and humane economy. But 2), social progress hinges, in part, on diminishing the 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 consume 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 marketplace or do we want to embrace the possibility of participatory planning?

This is not the place to review the fundamental flaws of market systems. See Albert and Hahnel (1990 and 1991a). 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.

NOTES

1. Alec Nove threw down the gauntlet in no uncertain terms: "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 or on a system of binding instructions from planning offices. *There is no third way*." (Nove 1983: ix-x and 44).

2. We are well aware that only living people make things. Nevertheless, it is true that one can calculate the increase in social well-being that would be possible if the economy had one more machine of some particular kind, or one more acre of a certain kind of land available for living people to work with. These are the familiar concepts of marginal revenue products which apply to scarce productive resources be they human or nonhuman.

3. We refer readers shocked by this conclusion to Chapter 3 of Albert and Hahnel (1991a) 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.

4. The reason the shadow prices for different categories of labor will be fully efficient, reflecting both differential desirabilities as well as differential productivities, is that the workers' councils are solving a well-being maximizing problem in our procedure.

5. See especially Chapters 6 and 9 in Albert and Hahnel (1991b).

6. Formulating and revising proposals is part of the conceptual work of councils, as we attempted to explain in Chapters 7 and 8 of Albert and Hahnel (1991b). But meetings in this regard are meetings within councils.

7. While participatory planning does not require many meetings, other visions of democratic planning require more. In our view this is one difference between our model and Pat Devine's model of "negotiated coordination" (Devine 1988).

8. 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. And every historical case of successful development by a "latecomer" has been an example of the efficacy of strategic planning rather than laissez-faire, ideological claims to the contrary notwithstanding.

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