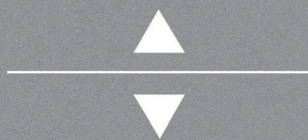


**THE  
POLITICAL  
ECONOMY  
OF  
PARTICIPATORY  
ECONOMICS**



**Michael Albert**

**Robin Hahnel**



# **The Political Economy of Participatory Economics**



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Robin Hahnel**

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*I would like to believe that people have an instinct for freedom, that they really want to control their own affairs. They don't want to be pushed around, ordered, oppressed, etc., and they want a chance to do things that make sense, like constructive work in a way that they control, or maybe control together with others. I don't know any way to prove this. It's really a hope about what human beings are like—a hope that if social structures change sufficiently, those aspects of human nature will be realized.*

—Noam Chomsky

*[We seek] a condition of society in which there should be neither rich nor poor, neither master nor master's man, neither idle nor overworked, neither brain-sick brain workers, nor heartsick hand workers, in a word, in which all would be living in equality of condition and would manage their affairs un wastefully, and with the full consciousness that harm to one would mean harm to all—the realization at last of the meaning of the word commonwealth.*

—William Morris

*I wish that every human life might be pure transparent freedom.*

—Simone de Beauvoir



# **The Political Economy of Participatory Economics**



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# INTRODUCTION

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**T**he fall of communism confirms century-old libertarian claims that equity and justice cannot be imposed by force, that interpreting “to each according to work” as “to each according to the marginal revenue product of one’s labor” rationalizes privilege, and that central planning stifles workers’ creative potentials. Clearly, enterprises whose inputs and outputs have been determined by a central planning procedure exclude workers and consumers from decision making, separate conceptual and manual tasks, and offer unequal consumption and work opportunities. For the Soviet, East German, Polish, Czechoslovakian, and Hungarian people to reject these injustices is encouraging. But it is dishonest to say this demonstrates that capitalism is optimal. It only bespeaks a lack of alternatives.

## PARTICIPATORY ECONOMICS

In this book we argue for a new alternative based on public ownership and a decentralized planning procedure in which workers and consumers propose and revise their own activities until an equitable, efficient plan is reached. The vision, which we call a participatory economy, strives for equitable consumption and work which integrate conceptual and manual labor so that no participants can skew outcomes in their favor, so that self-motivation plays a growing role as workers manage their own activities, and so that peer pressure and peer esteem provide powerful incentives once excelling and malingering rebound to the advantage and disadvantage of one's work mates.

Heretofore, most professional economists have accepted that human nature and modern technology *rule out* egalitarian, participatory options. They have generally claimed that efficient production must be hierarchical, that effective incentives require inequalitarian consumption, and that allocation can be carried out either by markets or central planning, but not via some alternative “participatory” approach. The following chapters challenge this professional consensus by presenting a plausible, efficient, participatory, egalitarian economic model.

In chapter 1 we review our understanding of traditional economic institutions and practices—markets, central planning, private ownership of the means of production, hierarchical production relations, and inequalitarian consumption—showing how each subverts efficiency, equity, self-management, solidarity, and/or variety.

In chapters 2, 3, and 4 we present a comprehensive description of exactly how participatory production, consumption, and allocation could facilitate economic democracy and justice. In chapter 2 we describe a participatory organization of production and address whether this entails a sacrifice in efficiency. In chapter 3 we describe a participatory organization of consumption and examine whether this implies a dearth of necessary incentives or a loss of individual freedoms. In chapter 4 we describe a participatory allocation system and explain how it reinforces the democratic, egalitarian properties of workers' and consumers' councils.

In chapter 5 we construct a formal model of participatory planning and use it to carry out a welfare theoretic analysis in terms comparable to welfare analyses of traditional models. We determine

## INTRODUCTION

under what conditions participatory planning can generate Pareto optimal outcomes as well as whether its procedures are incentive compatible. We evaluate likely discrepancies between realistic versions of our economy and its formal model, as well as realistic versions of traditional economies and their formal models.

In chapter 6 we suggest computer simulations and social experiments that could substantiate the feasibility of participatory economics. A concluding postscript summarizes where the debate over alternative economic models stands.

Finally, we should add that readers interested in a more detailed discussion of the newly envisioned relations of participatory economics should consult the companion volume, *Looking Forward: Participatory Economics for the Twenty First Century* (Boston: South End Press, 1991).