

Summary and Defense

I have the audacity to believe that peoples everywhere can have three meals a day for their bodies, education and culture for their minds, and dignity, equality, and freedom for their spirits. I believe that what self-centered men have torn down, other-centered men can build up ... human progress is neither automatic nor inevitable We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of NOW. In this unfolding conundrum of life and history there is such a thing as being too late this is no time for apathy or complacency. This is a time for vigorous and positive action.

— Martin Luther King

Where are we at so far? What characterizes a participatory economy? Also, since we will not get to serious treatment of plausible worries about a parecon until part four, and since some readers may not be ready to jump into an assessment of its benefits before at least having certain key problems rebutted, why isn't parecon flawed in the variety of ways most folks initially worry about?

Workers' Councils and Balanced Job Complexes

As we have described thus far, in a parecon, democratic workers' councils would carry out production. Everyone could freely apply for a job and membership in the council of their choice, or form a new workers' council with whomever they wish. Decisions within councils would be self-managed. Appropriate information dispersal, means of expressing preferences, and decision-making processes would ensure as best as possible that each individual influences outcomes proportionately to the effect of the outcomes on him or her. To facilitate this, parecon would balance individual work assignments for desirability and for empowerment within and across workplace units.

To revisit this key point in more detail: every economy organizes work tasks into what are usually called "jobs" that constitute all the tasks a single individual will perform. In hierarchical economies most jobs contain a number of similar, relatively undesirable and unempowering tasks while a few jobs consist of relatively desirable and empowering tasks. 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 decision-making so 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 while others review new technological options and attend planning meetings, is it realistic to think the former will all have equal opportunity to participate as the latter simply because they each have one vote in the workers' council and a chair at the decision table?

Balanced job complexes do not entail an end to specialization. Nor do they deny the need for expertise. Instead, as we have described earlier, each individual in a parecon—including specialists and experts—will do a modest number of tasks some of which will be more enjoyable and some less, and some of which will be more empowering and some less, such that over a reasonable period the overall average empowerment impact for each job will be the same as that for all other jobs.

The usual arguments against balanced job complexes 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 Requiring everyone to participate equally in economic decisions ignores the fact that some can do a much better job than others.

In brief, previewing a more comprehensive treatment to appear later in this book, how does a pareconist reply to these objections? The "scarce talent" argument against balancing work complexes is generally overstated. If one assumes most of the work force has no socially useful, trainable talents, then the conclusion follows. If one assumes we could not have more people doing skilled tasks, it follows. But these assumptions are false. It is true that not everyone has the talent to become a brain surgeon and also that there are social costs to training brain surgeons. But it is not true that everyone who can do it is doing it. And as well, most people have some socially useful talent whose development entails some social costs. An ideally efficient economy would identify and develop everyone's most socially useful talents. If this is done, then there is a significant opportunity cost no matter who changes bedpans and the

conclusion that it is grossly inefficient for brain surgeons to change them no longer follows. When Joe, who is currently a surgeon, has to also change bedpans, we may lose some of the possible output we could enjoy from Joe's training and talents—assuming he could instead do complex surgery all day long. But we do not forego the surgery entirely, of course. We just have more people who do surgery less time each. And when Sue—who now only changes bedpans goes through a process of socialization and schooling and on-the-job experience that elicits her best capabilities, we gain those best capabilities from their having been suppressed in the older model.

What is the trade? Well, before tallying, we have to also consider moving from a situation of injustice and its resulting oversight and resentment to a situation of solidarity, and take into account the impact of that change on morale and output, and also on social relations more broadly. The argument against balanced job complexes on grounds that on average in switching from our current society to the proposed one we will lose huge quantities of needed output is racist, sexist, and classist because it asserts that those displaying few talents in contemporary hierarchical corporate work arrangements actually have few talents, rather than having diverse talents that were buried by debilitating social structures and mind-numbing work. It is also myopic, or perhaps more accurately, profit-centered or productivist, in discounting the benefits of self-management, solidarity, diversity, and equity, which would all be enhanced by incorporating balanced job complexes even if society does get less output as a result from some particular Mozart or Einstein (though also very likely discovering others of comparably immense productive talent who would otherwise have subserviently swept floors forever or, for that matter, died at any early age of malnutrition).

Of course in circumstances where the consequences of decisions are complicated and not readily apparent, there is a need for expertise. But economic choice entails that we both determine and evaluate consequences. Those with expertise in a matter may well predict the consequences of a decision far more accurately than non-experts could. But those affected by a matter will know best whether they prefer one outcome to another. So, while the need for 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. And of course experts don't just decide things, they also have skills—like

precise hands for doing brain surgery, so I do not want a surgeon to decide for me whether I should have surgery, but I do want the surgeon to do the cutting, not myself or another citizen.

This means if we seek to attain optimal choices, it is just as misguided 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 eliminate experts but does confine experts to their proper role and keep them from usurping a role that it is neither fair, democratic, nor efficient. That it obstructs proper attentiveness to experts is not a viable critique of establishing balanced job complexes, because it does not, in fact, do so.

Consumers' Councils and Remuneration for Effort and Sacrifice

Every individual, family, or living unit would belong to a neighborhood consumption council. Each neighborhood council would belong to a federation of neighborhood councils representing an area the size of a ward or rural county. Each ward would belong to a city consumption council, each city and county council would belong to a state council, and each state council would belong to the national consumption council. The major purpose for this nesting of consumer councils is to allow for the fact that different kinds of consumption affect different numbers of people. Failure to arrange for all those affected by consumption activities to participate in choosing them not only implies a loss of self-management, but, if the preferences of some are disregarded or misrepresented, a loss of accurate, appropriate accounting of preferences as well. One of the serious liabilities of markets 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 participatory planning procedure prevents such a bias from occurring in a participatory economy.

Members of neighborhood councils present consumption requests accompanied by effort ratings done by their workplace peers in accord with norms established there. Using indicative prices the social burden of each proposal is calculated. While no consumption

request justified by an effort rating is denied by a neighborhood consumption council without very good reason (as in, for example, a request for machine guns or large quantities of poison, etc.), 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 effort. 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 for collective consumption could do so.

The major questions are whether "to each according to effort" is fair, and whether this distributive maxim is consistent with efficiency.

Capitalist economies embody the distributive maxim: "to each according to the value of his or her personal contribution and the contribution of property owned." 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 in the event of special circumstances. 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. For variation in intensity, there is reward. 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 in *Capitalism and Freedom*, the right-wing Nobel Prize-winning economist 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 asked. Friedman, of course, was arguing in favor of both genetic and financial inheritance. But his challenge is still a legitimate one. In our view, the honest answer to Friedman's challenge is "no." Despite the historical fact that private ownership of productive property has generated considerably more economic injustice than differential talent has, there is nothing more fair about the birth lottery than the inheritance lottery. Greater personal sacrifice made 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 makes it possible to produce more valuable goods and services carries any moral weight, in our view.

As stated earlier, we believe this creates an ethical dilemma for those who support public enterprise market systems. If wages are determined via the market some will earn more than others who work longer and harder. But if wages are set according to effort by a dynamic overriding market wage determinations, markets will assign prices that deviate from the true social opportunity costs of goods, yielding a price system that systematically misjudges social costs and benefits (even worse than other market failures cause it to). There is no way around this dilemma in an economy with a free labor market.

In contrast, in a participatory economy, while individuals consume according to their work effort, users of scarce labor resources are accounted according to the actual value of those resources, their opportunity costs, via the mechanisms of participatory planning. This avoids the contradiction between equity and allocative efficiency intrinsic to a market economy.

But what about the common view that rewarding according to the value of one's personal contribution provides efficient incentives while rewarding according to effort does not?

Differences in the value of people's contributions arise from 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 control 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 if training is undertaken at public rather than private expense, no reward is required to induce people to seek training. In sum, if we include a training component 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. 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.

Participatory Planning

The participants in participatory planning are the workers' councils and federations, the consumers' councils and federations, and various Iteration Facilitation Boards (IFBs). Conceptually, the planning procedure is quite simple. An IFB announces what we call "indicative prices" for all goods, resources, categories of labor, and capital. Consumers' 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 produce them, again, taking the indicative prices as estimates of the social benefits of outputs and true opportunity costs of inputs. An 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, and in accord with socially agreed algorithms. Using the new indicative prices, consumers and workers councils and federations revise and resubmit their proposals.

The procedure whittles overly optimistic and otherwise infeasible proposals down to a feasible plan primarily in two different ways. To achieve the approval of other consumer councils who regard their initial requests as greedy, consumers requesting more than their effort ratings warrant are forced to reduce or shift their requests to less socially costly items. To win the approval of other workers, workers' councils whose proposals have lower than average social benefit to social cost ratios are forced to increase either their efforts or their efficiency. Both workers and consumers easily access not only indicative prices which summaries the whole economic picture, but qualitative and descriptive data as well. As iterations proceed, proposals move closer to mutual feasibility and indicative prices move closer to true social opportunity costs. Since no participant in the planning procedure enjoys an advantage over others, the procedure generates equity and efficiency simultaneously. Social

deliberations in councils arrive at sensible proposals for collective consumption in light of true opportunity costs including incorporating desirable refinements that reduce ill effects and expand positive effects. As to possible worries about the possibility of adverse by-products or other implications of participatory planning overriding its benefits, we will consider these in coming chapters.

Conclusion

The issue at hand is in our view quite simple: a participatory economy is built on workers and consumers councils, balanced job complexes, remuneration for effort and sacrifice, participatory planning, and self-managed decision-making. It therefore rejects private ownership of the means of production, corporate workplace organization and markets and/or central planning. In place of rule over workers by capitalists or by coordinators, parecon is an economy in which workers and consumers together cooperatively determine their economic options and benefit from them in ways fostering equity, solidarity, diversity, and self-management. Parecon is classless.

The choice that parecon poses can be summarized as follows:

- 1 Do we want to try and measure the value of each person's contribution to social production and allow individuals to benefit from social production in tune with that, or even with their bargaining power or property, or do we want to base any differences in consumption rights only on differences in personal sacrifices made in producing goods and services? In other words, do we want an economy that implements the norm "to each according to the value of his or her personal contribution, property, or power" or an economy that obeys the norm "to each according to his or her effort?"
- 2 Do we want few people to conceive and coordinate the work of many? Or do we want everyone to have the opportunity to participate in economic decisions to the degree they are affected by the outcomes of those decisions? In other words, do we want to continue to organize work according to corporate hierarchies, or do we want council democracy plus job complexes that are balanced for empowerment?
- 3 Do we want a structure for expressing consumer 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 for individual consumption? In other words, do we want consumers to compete with each other as atomized buyers, or to cooperate in nested federations of consumer councils?

- 4 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 market or do we want to embrace participatory planning?

In this book and in greater detail in *Quiet Revolution in Welfare Economics* (Princeton University Press, 1990), and also online at www.parecon.org, 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 that markets routinely misjudge 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.

In conclusion of this summary, we believe those who reconcile themselves to market "socialist" or other coordinatorist models do so illogically and unnecessarily. The choice is illogical because the negative experience of authoritarian planning in no way rebuts the potential of participatory planning. The choice is unnecessary because the vision of an equitable, democratic economy that promotes solidarity among its participants is as attractive and appealing as ever, and now has substance.

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Evaluating Parecon

Works are of value only if they give rise to better ones.
— William Von Humboldt

In part I, we offered as guiding values equity, solidarity, diversity, self-management, fulfillment and development, and classlessness. We evaluated centrally important economic institutions and then also capitalism, market and centrally planned socialism/coordinatorism), and bioregionalism, and we rejected all these models as obstructing our preferred values.

Having now presented participatory economics, it is appropriate to briefly assess it as well. How does participatory economics fare vis-à-vis equity, solidarity, diversity, self-management, fulfillment and development, and classlessness? Of course, having conceived parecon with these values as our guides, it won't be that surprising that in our view it meets them with flying colors. The daunting question will be whether it has other failings that compromise these merits. That will be the subject of part IV, where we will take up the diverse criticisms people have expressed about parecon, and reply as best we are able.

Equity

What is equity, after all? As good a definition as any is that equity is a condition in which each person gets what they deserve for what they have done, and no one gets more (or less) than that. Of course, this begs the question of the meaning of "deserve."

We have already dealt with "deservedness" at such great length that almost anything said here would be severely redundant. Parecon rewards effort and sacrifice. If one thinks that doing that is just, one will favor parecon on this score. If one thinks instead that rewarding a deed to property is just, one certainly won't favor parecon as equitable. Likewise, if one thinks that rewarding output—or luck, talent, or training insofar as they contribute to output—is just, as compared to rewarding only effort/sacrifice or even in addition to rewarding effort/sacrifice, again one will not