Horizontalism and Idealism in Socialist Imagination: An Appraisal of the Participatory Economy

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ABSTRACT: The model of the “Participatory Economy,” developed by Michael Albert and Robin Hahnel over the last 30 years, has attracted attention as a serious answer to “TINA” — “There Is No Alternative” (to capitalism) — and as a conception of socialism that claims superiority over proposals for central planning, “market socialism,” and “negotiated coordination.” The 2012 publication of Hahnel’s Of the People, By the People: The Case for a Participatory Economy provides an opportunity to examine this conception critically and systematically. Despite its many insights and contributions, the Albert–Hahnel model suffers from two crucial problems: its commitment to an abstractly speculative approach to the design of social institutions, and a limiting fear of authority and hierarchy that has clear roots in classical anarchist thinking. This latter feature results in a model with an uncanny resemblance to Walrasian competitive market equilibrium — despite its progenitors’ programmatic denial of this connection.

THE CURRENT MALAISE of deepening capitalist crisis — despite some formal signs of “recovery” from the financial crash of 2007 and the ensuing Great Recession — has spawned a popular literature on alternatives to capitalism (e.g., Alperowitz, 2013a, 2013b; Lynd, 2012; Lebowitz, 2010). Among various extant models of a post-capitalist alternative, the work of Michael Albert and Robin Hahnel stands out, both for its consistent development over a long period of time, and for its serious attention to systemic detail (a welcome antidote to the widespread
tendency to talk about “socialism” in vague and expressive terms only).¹

Hahnel’s new book, *Of the People, By the People: The Case for a Participatory Economy* (Hahnel, 2012), is written as an accessible and compact introduction, covering all of the major themes in the participatory-economy model, and a mature distillation and presentation of its central arguments. It thus provides a perfect opportunity to present an even-more-compact summary of the main points, and to outline a critique. Hahnel (personal communication) has noted that all too often participants in these debates have engaged in a form of parallel play, with too little critical interaction; this has partly been due to our sense of a need to foster unity and mutual support. Now that larger circles are asking socialists whether we are truly able to counter the neoliberal “TINA” logic with something more than heartfelt strivings for equality, democracy and participation, or equally vague calls for “the working class in power” — in other words, to actually pin down the contours of a viable alternative — it is, Hahnel argues, more than ever necessary for us to confront our differences, and use the study of those differences to test and advance our shared socialist understanding. I agree.²

To this end, in this article I will first present, in careful outline, the essence of the participatory-economy model, using Hahnel’s most recent formulation as guide. The second section will outline a critical perspective on the model, drawing upon my own work, which has evolved over a slightly shorter period of time than that of Albert–Hahnel.³ The final concluding section will address the deeper issues

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¹ See the early formulation, Albert and Hahnel, 1981, and the foundation works, 1991a; 1991b. Albert and Hahnel were participants in all three of *Science & Society’s* special issues on socialist envisioning: 1992a; 2002; 2012 (Hahnel alone). See also Albert and Hahnel, 1992b; Hahnel, 2005; and the website run by Albert, http://www.zcommunications.org/zparecon/parecon.htm

² A word concerning terminology. I will use “socialist” to cover all of the positions among left theorists on the nature of the society that can or should replace capitalism. Albert and Hahnel prefer the term “participatory economy,” but I believe would accept “socialism” as the more general designation, provided their strictures against what they see as the authoritarian and repressive elements in some definitions of the term, or that are associated with the practice of some movements and states that have historically described themselves as “socialist,” are understood.

³ My own work on the socialism-envisioning project can be found in Laibman, 1992b, chs. 15–16; 1992a, 2002; 2012a (the *Science & Society* papers); 2001; 2006; 2007, chs. 6 and 7; 2012b, chs. 9 and 10. For an earlier critique of Albert, from a market socialist perspective, see Schweickart, 2006.
involved in the differences among models of a socialist alternative, and make some suggestions concerning the best ways in which thinking about socialism, in the Marxist political and intellectual tradition, can break through into the wider social debate about the way forward.

**THE PARTICIPATORY ECONOMY (PE)**

*Of the People, By the People* has 18 short chapters, which cover topics such as economic democracy, economic justice, sustainability, social ownership, institutions, and incentives. The core of the PE proposal is contained in chapter 14, on participatory planning, and I will summarize that chapter in some detail. First, however, we should look at some other aspects of the model.

**Councils, Federations, Economic Justice**

The PE consists mainly of two kinds of institutions: worker councils, and consumer councils. The councils are also organized into federations: these are, as the term implies, groupings of consumer or worker councils, constituted by representatives of the councils (49), to handle issues concerning production and consumption that cannot be addressed at the local level (where production and consumption actually take place). Hahnel is highly suspicious of representative institutions and procedures, however, and places most of the emphasis on direct — not representative — participation and decision-making at the level of the councils themselves.

A central concept for Hahnel is “economic justice.” In the chapter devoted to that topic, he presents a series of possible definitions, or maxims, including the one he defends as most appropriate for the PE, namely, “to each according to . . . effort, or personal sacrifice” (21). In short, people should be rewarded not according to what they own, or even according to what they accomplish and create (since accomplishment may be based on luck or on innate ability, over which the individual has no control). Applied to the worker council, the appropriate standard is to reward people (and groups) according to the level of their effort: the diligence with which they apply themselves to their tasks, and to the setting of tasks

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4 Page references in what follows are to this book, unless otherwise noted.
for themselves. “People’s efforts are rated by their co-workers, and people are awarded consumption rights according to those effort ratings” (61). To the criticism that effort is often invisible and difficult to measure or observe, Hahnel replies that this difficulty is not insurmountable, given that, in the participatory economy, the necessary observation and measurement is done by one’s workmates, those best positioned to carry out this task.

Distribution may also be, at least partially, according to need; the effort and need criteria may therefore come into conflict. At bottom, Hahnel argues for reward according to effort, but modified as required by considerations of need (supplements for large families, for example). All of this, however, is ultimately determined by the members of a workers council themselves, who must decide democratically what the best balance for them might be among the various criteria.

Hahnel is concerned to prevent stratification within worker councils — empowerment of some and disempowerment of others. A worker council would have a “job balancing committee,” whose role is to see that some workers do not wind up sweeping floors all the time, while others monopolize the managerial and creative aspects of the labor process. With due regard for problems raised by critics — the uneven distribution of innate talents, and the inefficiency of having highly skilled workers devote part of their time to menial tasks, for example — Hahnel argues that “there is ample leeway in organizing work to accommodate practical considerations while eliminating persistent differences in empowerment and uncompensated differences in desirability [of work]” (58, italics in original).

Concerning consumption, the role of the consumer councils and federations of consumer councils in nesting personal consumption within a deliberative approach to public consumption, at different levels, makes it possible to avoid a major failing of market economies: the subordination of public consumption and excessive privatization of consumption in general. There is freedom of choice as regards private consumption; no one will be asked to first state a precise basket of food items for the forthcoming year, for example, and then be held to that exact set of goods. A certain commitment to “pre-ordering,” however, helps in planning, avoiding waste, and shaping the overall pattern of consumption in socially desirable ways. The main point about the consumer councils is to create a whole new level of democracy and participation when it comes to public consumption: parks,
recreation areas, and the quality of the shared residential and work
environment (public space).

The PE Planning Proposal

This brings us to the central question: how, in the absence of
both markets and central (command) planning, would decisions be
made concerning what to produce, how to produce it, and how to
distribute products for purposes of consumption? What many people
will (I think) want to know is: how would you (socialists) do things dif-
ditionally? Do you really have something to say about how the economy
would actually be run? About how all of the complex, interlocked
decisions tying economic activity into a consistent whole are to be
made? If not, you are just blowing smoke.

These questions are addressed in Hahnel’s chapter 14, devoted
to the PE conception of planning. The planning process involves the
worker and consumer councils, of course, and participation is the
defining characteristic of the councils:

Since individual worker and consumer councils participate directly in the
planning procedure, all workers and all consumers also participate directly in
formulating and revising their own council’s proposals for what their coun-
cil will do. In other words, the procedure for coordinating the interrelated
activities of all the councils is one where councils participate directly, not by
sending representatives to a planning body charged with coming up with a
comprehensive plan on their behalf. . . . this distinguishes the participatory
planning procedure not only from the central planning procedures used
in Soviet type economies in the twentieth century, but also from all other
proposals for how to carry out “democratic planning.” (49–50.)

It will be apparent that, although they are designated by the word
“councils,” implying places of discussion and deliberation, the councils
are actually the sites where production (in the case of worker councils)
and consumption (in the case of consumer councils) are carried out. Worker
councils are the workplaces, or enterprises, of the economy.

What do workers, organized into worker councils, participate in? They create a plan, or a proposal, in each round of the planning pro-
cess. This consists of a detailed elaboration of what goods the council
will produce, how it will produce them (with what techniques and
procedures), and what natural resources, capital stocks, raw materials,
and different categories of labor will be used in production. Consumer councils, for their part, generate, with maximal participation on the part of their members, a set of consumption proposals.

There is a body called the Iteration Facilitation Board (IFB), “which plays a perfunctory role” (91). Perfunctory or not, the IFB actually starts the planning procedure by announcing a set of estimates of “opportunity costs” of the resources used in production and of the goods to be consumed, including the social costs of pollution and of accomplishing sustainability. (Hahnel is quite sensitive to ecological problems, and wants the widest possible estimates of the associated costs to be included.) The term “opportunity costs” will be familiar to students of conventional microeconomics; it is the “cost” of any good or activity in terms of foregone real alternatives. It is used here, however, as a substitute for the more common concept of price: opportunity costs “can be thought of as ‘indicative prices’ since they provide useful ‘indications’ of what it costs society when we use different primary resources and emit different pollutants, and what it costs society to produce different goods and services” (91–92).

The opportunity costs or indicative prices are the basis for the deliberations of the worker and consumer councils. Clearly, if the price (Hahnel tends to avoid this word, but it is short and direct!) of some good is high, that will induce worker councils to avoid using it as an input, or might impel them to propose producing it as an output, and consumer councils will in turn tend to avoid consuming it. Both types of councils act in their own collective self-interest, in finding production proposals and consumption proposals that best meet their needs. The worker councils, in fact, calculate a rate of return for themselves, which can be compared, by themselves and by other councils, to a social rate of return. Hahnel does not address, so far as I have been able to discover, the question of the unit in which the indicative prices are measured. Just as the concepts of price and income are developed in a rather elliptical fashion, so the idea of a money unit or currency is not addressed directly.

When the worker and consumer councils have announced their proposals, the IFB goes to work again: it adds up all the requests to use, and offers to supply each natural resource, each category of labor, each kind of capital good, and each pollutant, and adjusts its estimate of the opportunity or social cost of the good up or down in proportion
to the degree of excess demand or supply for that good. These... steps are repeated in subsequent rounds, or “iterations,” until there is no longer any excess demand for any final or intermediate good, natural resource, category of labor, capital stock, or permission to emit any pollutant. (92.)

This is, therefore, an iterative — repetitive — procedure in which “opportunity and social costs” (e.g., prices) are revised until “a feasible, comprehensive plan for the year is reached, i.e., a plan where everything someone is counting on will actually be available” (ibid.). One is tempted to rephrase: a plan in which quantities supplied equal quantities demanded for all goods and services.

At this point, the IFB might be thought to simply announce that a balance has been achieved, that there will be no further revisions to the list of relative indicative prices, and that the various worker and consumer councils can now, therefore, proceed to implement their plans, in their current state. The PE model, however, insists on an active role in planning at the base, i.e., within the councils themselves, and that this must involve not only participation in development of a council’s own proposal, but evaluation of the proposals of all other councils. Each council studies the benefit-to-cost ratios of the other worker council proposals, and the ratio of cost of a consumption proposal by a consumer council to the “average effort rating” of that council’s members, and gets to vote on those proposals, up or down. If a council receives a majority “no” vote on its proposal at a given stage, it must revise the proposal, until that vote is reversed. Here is a key formulation from Hahnel:

Allowing councils to vote “yea” or “nay” on the proposals of other councils does not entail time-consuming evaluation of proposals. All they have to do is look at the social benefit-to-cost ratio for proposals from worker councils. When the ratio is below average it means the worker council is probably using resources inefficiently or not working as hard as others. Similarly, when the social cost per member of a consumer council proposal is higher than the average effort rating plus allowances of its members, they are probably being too greedy and unfair to others. . . . most proposals can be voted up or down very quickly because the participatory planning procedure makes it possible for each council to judge whether or not the proposals of other councils are socially responsible without wasting time. (99.)

Meetings take place within worker and consumer councils to address problems arising from the votes of the other councils and changes in
the opportunity cost list coming from the IFB. Meetings also take place within federations, especially consumer council federations which must decide on proposals for large public works, i.e., works that must be developed on a scale greater than the individual neighborhood councils. Importantly, however, the process does not involve regular meetings between worker and consumer councils, or between different worker councils, after the fashion of “negotiated coordination” models (see, e.g., Devine, 1988; 2012). Discussions “are about what we might call ‘self-activity’ proposals” (100). No one makes proposals, let alone issues commands, concerning what others are to do.

Hahnel insists that the deliberative procedure outlined in the PE model results in accurate information: “In the participatory planning procedure worker councils would only harm themselves by failing to make proposals that accurately reveal their true capabilities because underestimating their capabilities lowers the likelihood of being allocated the productive resources they want” (98). This includes accurate estimates of pollution costs: “... it is in the best interests of pollution victims to reveal how much they are truly affected by pollution, and these negative effects are fully accounted for in the social costs of producing different goods and services” (ibid.). Accurate information is available to everyone, and is actively used by everyone:

*Everyone* has the information necessary to calculate the social benefit to cost ratios of *every* worker council proposal, and *everyone* has the information necessary to compare the social cost of *every* consumer council [proposal] to the average effort rating of its members. (99, all italics in original.)

Chapter 16 of *Of the People, By the People* focuses on “Investment and Development Planning.” Creating new productive capacity and shaping the entire structure of the production/residential/recreational/transport environment, are clearly things that are done over a longer time frame than the (presumably annual) planning of current production and consumption. Here Hahnel makes an insightful point. There is a problem of circularity: decisions about capital stocks that will bear fruit at some future time depend on the opportunity costs that will arise at that time, but these opportunity costs will themselves be shaped by resource decisions being made now.

Because of the inherent uncertainty involved in future projections, and because these projections will often take place on a scale
that involves federations rather than individual councils and therefore must rely on representatives rather than on direct participation of all individuals affected, longer-term planning must look more like traditional political democracy than like the direct horizontal participatory process outlined in the PE model for annual planning. There is no simple answer: “Efficient comprehensive investment plans cannot be easily produced by a procedure that modifies ‘self-proposals’ into comprehensive plans in the same way that efficient comprehensive annual plans can be formulated” (119). But, clearly, the insufficiency of formal representative procedures can be transcended, or at least significantly offset:

The deliberations of delegates over investment and development plans can, and should be guided not only by constant consultation between delegates and those they represent, but also by straw polls and preliminary referenda among federation members. Final decisions about investment and development plans can, and should, be settled by referenda, not votes by delegates. (Ibid.)

Moreover, annual planning can serve as an antidote to the toxic implications of representation: “Annual planning through direct democracy is . . . the most effective way to counter the danger of a planning elite emerging from among delegates sent off to deliberate over investment and development plans” (121).

*From Here to There*

Before turning to the task of critical analysis, a brief look at the book’s last chapter, “From Here to There,” is warranted. This chapter is noteworthy because it presents, in my view, an extremely wholesome alternative to the all-too-common arrogant posturing on the left among people who reject all “really existing” reform and working-class movements and insist on “nothing less than” total revolutionary change — and in so doing fail to even provide a conception of that change that goes beyond the most empty abstractions.

Hahnel summarizes in five points. 1) “We need to build bigger and stronger economic reform movements” (134). A key formulation: “People have every right to expect those who want system change to be completely dedicated to making reform campaigns as successful
as possible, and every right to consider us AWOL if we do not” (135). Of course, we do have a perspective that others in these campaigns lack — the eventual replacement of capitalism by a system of “equitable cooperation” — and we must always insist on explaining that perspective, and linking it to the specific problems being addressed by movements for reform.

2) “We need to create more experiments in participatory, equitable cooperation . . . in ways that ‘prefigure’ the new society” (136). Both reform within capitalist institutions and parallel institution movements contain pitfalls; while neither is completely effective on its own, in combination they are a powerful force.

3) “The U. S. left needs an electoral strategy” (137):

Abandoning the field whenever people come out to play the game is hardly a strategy for winning! Nor can we forever participate in elections only by running “protest” candidates who . . . have no chance of winning. (Ibid.)

Of course, much needs to be done to break the “two-party duopoly,” win proportional representation, campaign finance reform, and much else. As in the case of economic reform movements, it is a matter of critical participation, as against the easy alternatives of non-critical participation, on one hand, or abstention, on the other.

4) The left needs a strategy to defend victories against what we must see as inevitable attacks from “anti-democratic forces.” This must be a matter of massive mobilization and participation. “Our defense strategy (and we will need one) must be centered on organizing for massive resistance and non-compliance, since no elite, no matter how well armed, can rule unless we, the people, carry out their orders” (138).

5) We must clearly distinguish our proposal for radical change from things that were done in the past. “The first attempts at post-capitalist economies (twentieth century Communism) had little to recommend them, and people have every right to be skeptical and demand that those calling for system change be very clear about how the new system would go about organizing economic decision making differently” (139). While enthusiastically endorsing Hahnel’s points (1) through (4), I must register my disagreement with the perspective in point (5). This is not the place to enter this important debate, but readers may wish to consult Laibman, 2009; 2007, ch. 7.
In concluding his chapter 18, and the book, Hahnel proposes a Green New Deal — a comprehensive assault on the priorities of the capitalist elite, combining all of the movements and sites of activism surveyed above, and, of course, foregrounding concern with the environment (see also Hahnel, 2011).

Are we talking about a social revolution? Yes, we are. But why should revolutionaries expect revolution to look the same in the twenty-first century as it did in the nineteenth and twentieth centuries? . . . Why should our vision of revolution remain immune from our general expectation that things change? (143.)

With this somewhat cryptic suggestion, the book concludes.

THE PE MODEL: CRITICAL PERSPECTIVES

There are, as noted earlier, two main points: the speculative–idealist error of imposing one’s own preferences on one’s model of how people are to behave, and the consequences of the neo-anarchist systematic distrust of authority and hierarchy. I begin with the former.

The Utopian Moment

Friedrich Engels famously ridiculed Eugen Dühring’s banning of alcoholic beverages from his “socialitarian state of the future” (Engels, 1966, 130). Hahnel’s PE model, in a much more subtle way, of course, imposes the socialist visionary’s preferences in four areas: the degree of participation; the criterion of effort in determining rewards and income differentiation; pre-ordering of items of personal consumption via the consumer council to which an individual belongs; and the requirement for “balanced jobs.”

Participation. The very label “Participatory Economy” suggests that the socialism being envisioned privileges participation over other presumably valuable qualities. One remembers H. L. Mencken’s quip about the problem with socialism: “not enough free evenings.” Here the issue is not whether the PE model imposes an excessive requirement for participation in its fundamental mechanism. Hahnel clearly believes it does not. We will return to this issue in connection with evaluation of the proposed participatory system, below. The issue at
present is more basic: the arbitrary (speculative) imposition of participation as such as a positive value. The implication is that “capitalism” — the name we have for the system-of-the-present which we hope to replace — is characterized or defined in some fundamental way by (generic) non-participation. While workers in capitalist societies, of course, do not participate in the exercise of the capital function — do not own or control capital — that feature should, one presumes, not be equated with “non-participation” in general, just as the exploitative (surplus-extractive) power of capital should not be confused with authority, or political power, or any other more general feature of social organization that acquires concrete reality within a historically specific system of social relations.5

Participation in socialist conditions is something to be optimized, not maximized (Laibman, 1992a). Hahnel would, I think, agree. The point, however, is to locate the degree (and forms) of participation in any actual socialist experience within the historical and cultural conditions out of which that particular experience emerges. This cannot be pre-determined, or mandated. Countries with long histories of participatory structures will evolve a more participation-rich form of socialism than countries whose cultural traditions emphasize autonomy and individual space.

Moreover, the foundations for socialism are laid in a country’s entire capitalist (and, for that matter, precapitalist) prehistory. They therefore draw not only on the solidarity and collectivism born of class struggle, but also on the individuation and personal autonomy that is a central and necessary feature of the capitalist Enlightenment (for further argument, see Laibman, 2012a). One premise of socialism is the “solidarian” moment (Lebowitz, 2010); the other, equally important, is the emergence of highly varied and sophisticated working-class individuals, with well-developed and wide-ranging preferences over the balance between work and leisure, degrees of participation in the workplace, the balance between self-fulfillment in the workplace and in outside personal life, and much else.

5 It is intriguing to wonder whether worker participation, in capitalist conditions, may actually in some cases come to serve as a bulwark or component of capitalist exploitation. “Quality of Work Life Circles,” e.g., may create a semblance of democracy and control that is belied by the wider set of forces, including “market” forces, within which they are situated. These participatory structures, then, actually serve as masks or facilitators of surplus extraction.
Some workers in the participatory economy may well prefer to delegate, rather than participate, or may wish to concentrate their participation in a specific area within or outside of the workplace, while confidently leaving other areas in the capable and principled hands of comrades and colleagues. Absent the reality or constant threat of capitalist perversion of decision-making, the individual can safely leave many ongoing and detailed planning and coordination functions to representatives, both within the workplace or community and at higher levels.

Ironically, the fear of representation and delegation — and these can indeed foster, in some circumstances, a planning elite with interests contrary to those of the majority of workers — leads proponents of the PE to impose direct democracy and an intense mandate to participate, a mandate that arguably might also be experienced as oppressive and alienating.

*The effort criterion.* The logic is unassailable. If I have an IQ of 180, or if I was lucky enough to have had parents who fed me calculus for breakfast, I may contribute to production at a significantly higher rate than average. But since these advantages are not of my creation, and their absence in others not their fault, they should play no role in reward. My income (a term that Hahnel avoids, as noted) should be the average for labor and other activity within my worker council, unless my effort and sacrifice, as evaluated by my workmates, are higher (or lower) than average.

The problem with this is not just that effort is hard to measure; Hahnel (60ff) provides some reasonable responses to that objection, and one could also point out that in a complex and collective workplace individual productivity and output are similarly hard to measure. The problem lies deeper. It is, again, the historically evolved consciousness within the workplace, and within the wider community, regarding appropriate rewards for contributions. This consciousness is objective; it is real. People may feel that higher levels of productivity, for example, should be rewarded differentially. They may feel this because they and others need incentives to acquire skills, and credentials associated with skills, in order to be adequately motivated to acquire them, even if they anticipate expending only average effort in work. They may need these incentives, whether or not they are aware of this fact. If they and others are not rewarded for actual achievement, this may be seen as unfair — and this perception cannot
be argued away. You may find that while workers deny it program-
matically, it still operates. If it does, failure to reward achievement —
which, despite all obstacles, is still qualitatively easier to measure
than effort — may lead to cynicism and apathy, and may therefore
work against the very development of collective consciousness that
Hahnel and I both want to promote. All the clever arguments in
the world will not prevail against an existing state of consciousness.
Socialism must dispense with speculative wishful thinking, and must
work with what is there. The appropriate mix of incentives — moral,
material, individual, collective, achievement-based, effort-based —
must be determined in each historical situation, and these will vary
significantly over time and place.

Pre-ordering consumption. Despite Hahnel’s assurance that a worker
is not required to state a precise consumption bundle in advance, and
then adhere to that bundle, there is something strange going on here,
and it smacks of the same sort of speculative utopianism that I detect
in programmatic prescriptions for effort-based rewards and worker
participation in planning.

The U. S. Bureau of Labor Statistics used to calculate a “modest-
but-adequate” budget for a typical (working-class) family of four. This
was an abstract family, consisting of opposite sex parents (of course!),
moved 15 years, with a 13-year-old son and an 8-year-old daughter.
For this family, a detailed consumption basket was calculated, and the
specification of this basket (covering food, clothing, housing, recreation,
medical care, and everything else) was contained in a manual that grew
to thousands of pages. The idea that a worker is supposed to create and
maintain a pre-order set of consumptions, for herself and her family,
covering every type of food, every item of clothing, every activity, which
will then be aggregated into her consumer council’s consumption pro-
posal for the coming year, has an eerie quality of unrealism, and the
question arises: what is driving this element of the PE model?

A possible answer is that Hahnel (with Albert, in the earlier pub-
lications) is uncomfortable with the individual consumer autonomy
that has evolved within capitalist societies: the existence of distribution
networks for consumer goods (supermarkets, department stores, “big
box” stores, etc., not to speak of Amazon.com and EBay) and the use of

6 “Used to” — before funding for this calculation was eliminated under the Reagan Administra-
tion. As more and more families began to fall below this standard, it became embarrassing
to the official spin doctors.
some sort of currency, along with a price structure, to distribute these goods and apply the overall budget constraint that Hahnel captures in his “effort ratings.” Two things appear to be involved here: first, an apparent conflation of modern forms of distribution, through money incomes and prices, with capitalist shaping of the quality of work and consumption; second, discomfort with the autonomy of individuals in the choice and acquisition of consumer goods.

I believe we need to be clear: the enemy is capitalism, not department stores. Moreover, individual autonomy in consumption as such is not a bad thing; it is an achievement of capitalism, to be absorbed (and, to be sure, transformed) within a socialism that is born of capitalism.

There is no way for “Hey, let’s order in Thai tonight” to be brought within a neighborhood consumer council’s consumption proposal! The variation that results from day-to-day consumer choice over privately consumed goods can be accommodated within a system of democratic planning, without a cumbersome system of pre-ordering, especially given the smoothing effect of the law of large numbers and the presence of buffer stocks.

None of this should be taken as denying the other role of Hahnel’s consumer councils, as the site for democratic deliberation over and determination of the production of public goods. “Public” in capitalist societies has usually meant being carried out by government agencies, dominated by politicians and bureaucrats with a thousand ideological, financial and cultural ties to the capitalist class. There are, of course, hearings of Boards of Estimate, and people can attend city council meetings at which public-goods proposals are being discussed. Hahnel’s point here, and one must entirely agree, is that forms must exist in post-capitalist societies that make working-class-majority participation in decisions concerning parks, schools, public spaces, etc. completely genuine and effective.

**Balanced jobs.** This final issue can be handled quickly; the point is quite the same as with the preceding speculative items. Yes, of course, a socialist society would want to promote a workplace culture in which people are encouraged to participate widely, not only in routine labor but also, and crucially, in the managerial and creative aspects of the work.7 To what extent can stratification

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7 Note that this is not just something that “socialists want.” In the absence of capitalist society’s negative incentives — unemployment, destitution, fear — efficiency can only be maintained, and the productive forces can only develop, on the more principled positive foundation of higher-level motivation and rational understanding.
into layers of blue-collar “operatives” and white-collar “experts” be overcome? Eventually, might it be possible for us to transcend this stratification, which after all is inherited from the long capitalist and precapitalist past, altogether? Think radical! But the open road to that result is the practical confrontation with inherited differences: gradually and systematically using education, in-house training, job rotation and enrichment (in cases where workers want to participate), opening-up of management meetings to all personnel, and — where possible — balancing jobs to include a full range of aspects of the collective work.

Again, the point is not that asking individuals to do work “out of title” is inefficient; that inefficiency, as Hahnel says, may well be worth the deeper gain from transformation of labor into “life’s prime want” (see his chapter 10). The point is rather that objective realities dictate the pace and extent to which devolution of managerial and creative functions to wider and wider levels of the workforce, and de-stratification and democratization of the labor process overall, are possible. To artificially accelerate this process — e.g., by simply taking a production worker and making her the plant manager, or by a rigid system of job rotation or choice by lottery — might well create cynicism and disillusionment. When people are placed in roles for which they are not prepared, the roles themselves may become depreciated and decentralized. Social change cannot be blueprinted; it must be systematically evolved, out of “really existing” historical conditions.

*The PE Planning Mechanism: Critical Perspectives*

This brings us to the central issue: What are we to make of the PE model’s system of horizontal planning?

I will go directly to my main point. There is an unresolved tension between economic coordination and socialist democracy in the PE proposal. Moreover, this tension is not resolvable, so long as the programmatic insistence on the horizontal principle is retained.

To prepare for full explanation of this claim, a brief digression into the general equilibrium theory of the 19th-century French economist Leon Walras may be useful.
Walrasian general equilibrium. This central component of mainstream microeconomics, based on the work of Walras, can be described fairly simply and non-mathematically.  

Imagine an economy consisting of a given number of discrete individuals, all endowed with rational preferences and a desire to maximize utility from consumption. To keep our story simple, limit this economy to exchange only. There is a (different) number of discrete goods that can be consumed. These goods are not produced; they simply appear in the hands of the economic actors as endowments, at the beginning of a period in which exchange, and then consumption, will take place. Each actor, then, starts out with his/her endowment: a basket of goods which can be either consumed or traded.

An individual cannot decide what actions to take — what parts of the endowment are to be directly consumed, or offered in trade (supplied), and what additional items are sought for consumption after acquisition through trade (demanded) — until a set of prices is announced. Here Walras proposes his famous auctioneer: a mysterious (perfunctory?) presence, without a will or consumption needs or strategic interests of its own, who sits at the center of the circle of actors and announces an initially arbitrary set of prices for all of the goods. On the basis of this initial set of prices, each actor creates an offer — a set of quantities supplied or demanded for each of the goods — which maximizes his/her utility (satisfaction) from consumption. Figure 1 provides a schematic representation of the process.

The auctioneer sits at the center of the large circle, which represents the economy. The individual actors are the small circles arranged around the perimeter. The solid lines separating the individuals are what I will call “parametric barriers”: these ensure that individuals do

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8 The foundation text is the various editions of Walras’ *Elements of Pure Economics*, 1969 (first published 1874). A good modern overview is Morishima, 1977; for a textbook-level introduction, Stigler, 1987; for heterodox critique, Robinson, 1971. Walras is considered to be the progenitor of modern mathematical general equilibrium theory, which is not our current object of attention; see Arrow and Debreu, 1954; Allingham, 1975.

I have used the imprecise term “mainstream economics” to designate the long-standing orthodoxy within microeconomic theory, despite the fact that this term concedes the mainstream to what Marxists used to call “bourgeois economics.” (Shouldn’t Marxism aspire to become “mainstream”?) “Bourgeois economics,” while old-fashioned, does call attention to the key issue: the extent to which a theory stays within the horizons of a certain class consciousness. The term “neoclassical economics” is nowadays too variously used, and abused, to be serviceable.
not interact (talk to one another) during the process of adjustment, which Walras calls “groping,” or tâtonnement. “Parametric”: individuals respond to parameters — the prices — but have, in essence, no direct knowledge of each other’s existence. All they can see is the auctioneer, and all information and communication are entirely contained within, and carried out through, the prices.

When the auctioneer receives the offers from each individual, it (the inanimate pronoun seems appropriate here) adds up the quantities demanded and supplied of each good. If the difference (“excess demand”) is positive, the price for that good will be raised in the next round; if it is negative, the price will be lowered. The second round begins when the auctioneer announces the new set of prices. Once again — and, crucially, without consulting with one another — the individuals revise their offers, presumably supplying less of any good whose price has been lowered and demanding less of any good whose price has been raised. When the new offers come in, the auctioneer once again aggregates, and determines whether any discrepancies remain. These should be reduced as the process proceeds.

Figure 1: The Walrasian Economy
from iteration to iteration, until all of the excess demands become zero. At this point, the auctioneer removes the parametric barriers, and actual exchange can take place. This is the general equilibrium of the economy: each individual is maximizing utility (given her/his endowment constraint); each individual’s budget is balanced; and the market for each good clears (excess demands are zero).

No actual trading is allowed before the barriers come down; this would amount to “false trading” and would alter the endowments. Walras was at pains to prove that a given endowment, followed by purely parametric (competitive) behavior and utility maximization, will lead to a unique equilibrium set of trades and consumptions. In subsequent editions of the *Elements* he introduced more complex models involving production (the endowments then become “factors of production” such as labor and land), multiple techniques of production, money, finance, credit, and so on. He was, it is argued, ultimately unsuccessful in accounting for full capital markets within his general equilibrium framework (see Robinson, 1971; Walsh and Gram, 1980). Moreover, the various theoretical contrivances necessary to get a determinate result (the auctioneer, *tâtonnement*, prohibition of “false trading”) suggest that a full analysis of the social forces that take the form of market relations is being carefully avoided here (perhaps validating characterization of the Walrasian system as “bourgeois economics”).

*Horizontal iterative planning: The Walrasian moment.* The reader will, of course, have seen where all this is headed. The Albert–Hahnel Iteration Facilitation Board takes on the cast of Walras’ auctioneer. The worker councils and consumer councils replace the individual consumer–exchangers of the Walrasian system. While individual participation in the working-out of the councils’ proposals, in their various stages, is strongly promoted, *the councils do not talk to one another*, except in the framework of the federations (whose role, as we have seen, is in fact played down, owing to the suspect representative principle used in their constitution). Most importantly, worker councils and consumer councils do not negotiate directly (again, refer to the summary of Hahnel’s argument, above). The PE model captures very well the role of the parametric barriers in Figure 1. The IFB is a mechanism for achieving *ex post* coordination among councils; the entire content of socialist cooperation is confined to activity within the councils, and significant interaction among workers-as-workers
and workers-as-consumers is restricted to the face-to-face level. The PE economy is one in which the primary ground-level organizations are the main site for social practice. This is essentially an economy made up of small-scale cooperatives, which are then brought together via a Walrasian — market — process of \( \dot{\text{tatonnement}} \).\(^9\)

In Figure 1, there is truly no central authority. Walras’ auctioneer is, as we have noted, a shadowy presence, without discretionary power of any kind, like the PE model’s IFB. This fits in well with the anti-authority posture of the model, linking it to the anarchist tradition.\(^10\)

It is, as we have seen, important for Hahnel that in his conception no one plans for anyone else, and no body has the authority to plan for, or to modify the plans of, another. However, in Walras, once the excess demands are zero and the parametric barriers fall, there is no need for any further validation of the planned behaviors of the individual actors. They will do what we expect them to do, because that is what maximizes their utility, given the endowment constraint with which they began. Translated over into the framework of the PE, planning as such is limited to the worker and consumer councils and is completely expressed in the formulation of their respective proposals. Workers are expected to participate in the working-out of these proposals, but in what sense can they be said to participate in the wider sense — in something that transcends the boundaries of their own workplaces and neighborhoods?

Here is where things start to get murky. The councils, as we know, have the right to vote, up or down, on the proposals of other councils. Apparently, it is not enough that the IFB announces that the various production and consumption proposals now balance, in the aggregate. It must also be the case that every council’s proposal is formally accepted by the other councils. We may wonder what happens if aggregate balance is achieved but, for some reason, some proposals

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9 Of course Hahnel discusses other levels and processes of interaction, through the federations of councils and other institutional mechanisms, especially with regard to investment and development planning (as we have seen). The point here is to identify the \textit{logical core} in the thinking behind the PE model.

10 I should note that Hahnel and Albert do not use the “anarchist” label for their own work, even as they express respect for that tradition and its contributions.

One recalls Engels’ essay “On Authority” (Engels, 1973), which addressed the anti-authoritarian dogma as it appeared at the time of writing (1872). “... it is absurd to speak of the principle of authority as being absolutely evil, and of the principle of autonomy as being absolutely good. Authority and autonomy are relative things whose spheres vary with the various phases of the development of society.”
are still being voted down. Revisions to those proposals would upset the balance, setting in motion price (“opportunity cost”) changes and further revisions, etc., with no prospect of convergence in sight. But even more fundamental, perhaps, are the problems that arise when we consider what it means for councils to examine and approve (or disapprove) the proposals of all other councils.

My council’s proposal is a carefully considered and detailed project, developed with my working (or consuming) comrades’ specific capabilities and needs in mind. Here the role of local knowledge becomes all-important (Hayek, 1945). Each of \( n \) councils would have to have detailed knowledge of the local circumstances in each of the \( n - 1 \) other councils; each council, in effect, would have to be a complete Central Planning Board unto itself! This is “not enough free evenings” to the \( n \)-th degree; it would drown economic democracy in a sea of information overload. Moreover, since the evaluation by council \( i \) of the proposal of council \( j \) will have to take into consideration the interaction of all of the councils — production and consumption externalities, tipping points in environmental and resource-use effects that only appear when the aggregate of activities emerges, combined effects on transportation, storage, water and power supplies, housing, and so on — each council must, in an even fuller sense, act like a Central Planning Board, making its decisions on each council proposal that comes before it in a concerted and comprehensive manner. Not only this: the entire immense (indeed, impossible) effort comes down only to a vote — yea or nay. But the aggregate outcome of the votes on a particular council’s proposal, say in the case of an aggregate negative, does not tell that council precisely what the other councils think is wrong; what it has to do to bring its proposal into a condition for social approval. This information loss can only be made up by a series of blind groping steps, in which councils attempt to improve their proposals and get them approved by others, even while this is resulting in price changes, revisions in other councils’ proposals, etc.

In short: to the extent that the deliberations of a council on other councils’ proposals are substantive, they are also utterly impossible, mired in an excess of discussion and un-processable information that would make a “negotiated coordination” economy (e.g., Devine, 1988) seem lean and elegant by comparison.

Now, of course, Hahnel is not proposing this! I have quoted him above to the effect that “all they [the councils] have to do is look at the
social benefit-to-cost ratio for proposals from worker councils” (and a similar construction for consumer councils). Following Hahnel, we can construct a “ratio of ratios,” with the council’s benefit–cost ratio in the numerator and its average social counterpart in the denominator. Call this super-ratio $R$. The vote, then, is even more “perfunctory” than the role of the ICB. We don’t have to think about anything. If $R > 1$; vote to approve. If $R < 1$, vote to reject. Period.

First, this seems logically insufficient. It is not enough that we find, in a particular case, $R > 1$. What we really need is $R = R_{\text{max}}$, the maximum achievable $R$ for a given council, or at least as close to that value as may be reasonably possible. Now there is no way a council can know some other council’s $R_{\text{max}}$, without, again, detailed knowledge of that council’s specific circumstances. We are back to square one.

Second, note that the evaluation that precedes voting will be based on the announced indicative prices. This evaluation, then, will have to be done in every round of the iterative planning process, since it is only on the basis of the votes in each round that a council has the opportunity to use other councils’ responses to modify its proposal.

In general, the PE advocates’ description of price formation in the socialist context is woefully lacking: prices are adjusted on the basis of the IFB’s knowledge of nothing more than discrepancies in aggregate supplies of and demands for every good, with no consideration given to how resource stocks are to shape prices of goods (Brody, 1970; Laibman, 1992b, ch. 15), how time horizons and social discounting (especially as regards environmental and resource-use effects) are to enter into prices, etc. The PE proponents’ view of price (see especially Albert and Hahnel, 1991b) is greatly shaped by the mainstream general-equilibrium conception; it does not partake of the classical–Marxist price system (arguably the only coherent theory of price in all of economics; see Walsh and Gram, 1980). Hahnel’s “opportunity costs” or “indicative prices” are actually Walrasian wolves in (socialist) sheep’s clothing.

Third, and despite repeated assurances to the contrary, there is no indication that Hahnel has addressed the real incentive problems that arise with local planning: how can it be guaranteed that individual councils will report local conditions fully and truthfully? That they will avoid concealing reserves, or engaging in other strategic behavior, thereby distorting the information on the basis of which the
other councils are supposed to evaluate their proposals? This may be especially important in the case of pollution; the idea that those who suffer from pollution are best able to measure its effects accurately, seems to me to be particularly naive.

But the most important point concerning the council-voting idea is also the most obvious. If a council can really vote up or down, as it moves down the list of \( n - 1 \) council proposals, just by looking at some number \( R \), then there is truly nothing to deliberate about; the councils, meeting perhaps as a federation of federations, can simply authorize the IFB to do this in their stead! Workers’ participation in socialist planning thus becomes eviscerated, emptied of all real content.

Herein, then, lies the true dilemma. Given the foundational anti-authority assumption of absence of central planning and restriction of the planning process to a horizontal dimension alone, the PE model is caught between two equally unsatisfactory poles: genuine evaluation and planning, but duplicated into \( n \) separate processes coordinated by voting and in manifest violation of the principle of local knowledge, on the one hand; and a similarly inoperable Walrasian tâtonnement that reduces the councils to playthings of impersonal forces and empties planning of any genuine (let alone socialist) content, on the other. You can’t have it both ways. Either the councils are involved in detailed deliberations about each other’s proposals — in which case the specter of information overload reappears, and the issue of the power of councils to “say no” to each other must be faced squarely. Or they are not — in which case we have a “participatory economy of equitable cooperation” in which all behavior is parametric, and the impersonal forces of — dare I say — the market once again reign supreme.

CONCLUSION: CAN THE DILEMMA BE TRANSCENDED?

Where does this leave us? Is there an alternative? If we are indeed stuck between a rock of commandist elite planning and a hard place of horizontal sclerosis, perhaps TINA is correct after all. But, of course, it isn’t, as even cursory confrontation with the place to which capitalism has brought the world will attest.

11 An Impossibility Theorem, coming from the Incentive Design literature, proposes that no form of incentive design can be devised that adequately solves this problem (see Campbell, 1995, 294ff). I have outlined an answer to this argument; see Laibman, 2012b, chapter 10.
Unless we are wedded to an uncompromisingly local concept of democracy, we can begin with the proposition that in a mature socialist economy, the means of production are owned collectively, and indivisibly. The enterprise, or worker council, is given the right to make use of a subset of these resources, on a conditional basis, and continuation of that right is contingent on the council fulfilling its obligations to the wider society of which it is a part. Put simply: the working class as a whole does have a right to “say no” to one of its sub-units. Moreover, if participation in planning is to be meaningful at any level other than that of the face-to-face working (and, in the PE model, consuming) collective, that has to mean that councils and individuals must be able to deliberate on the substance of the wider social plan — which means having something to say about things that do affect what other councils and individuals are allowed to do. Once again, the authority–autonomy issue cannot be resolved by dogmatic assertion of priority of the latter over the former.

Substantive engagement with the totality cannot mean that each council has decisive control over the work of all the others; that is as non-operational as the opposite notion of each council being absolutely autonomous. What emerges out of this contradiction is the concept of a Planning Center, distinct from both a command–elite center and a perfunctory IFB. The Planning Center can be subject to a democratic mandate, constantly renewed through both elections and representation, on the one hand, and forms such as referenda and initiative, on the other. It operates in a climate of visibility and debate, and this climate can be seen to have deep potentials in modern information technology (as, indeed, does the capacity to aggregate/dis-aggregate, calculate and optimize). Most important, the Planning Center can be thought of not as a distinct set of individuals located together in a place far away from the councils or enterprises; it will, for example, have local offices scattered throughout the economic territory, and will enlist the direct participation of many individuals and collectives, including councils but also including local community organizations, organizations addressing issues of gender and ethnic equality, educational and academic institutions, and many others.

12 This abstracts from the clearly significant reality of an earlier stage, in which the germ of a socialist system coexist with two precursor forms: a hypercentralized state-command sector, and a surrounding spontaneous market sector. We are interested here in the mature socialist system as such. See Laibman, 2013.
Iterations in the PE model are themselves perfunctory — devoid of significant content — because they studiously avoid actual political relations within the planning process, reducing this entirely to essentially parametric responses on the part of both the IFB and the councils. There is a series of self-interested responses, on the part of local collectives, to a set of changing indicative prices, without discussion, consensus formation, or re-evaluation (except within each council separately). Call this *parametric iteration*.

Contrast this with an iterative process linking the worker (and perhaps consumer) councils with the Planning Center. The Center manages a list of indicative prices, and these go far beyond eliminating positive or negative excess demands; they incorporate sophisticated rates of return; measures of the impacts of production and consumption activity that would not be available to the councils in isolation, but which draw upon information supplied by the councils; and principles of social evaluation that are constant topics of social debate. But the Center does much more: it draws conclusions from council proposals for aggregate resource use, dynamic effects on the environment, communities, etc.; it applies appropriately long and responsible time horizons to decisions which might otherwise be made in a myopic fashion; it has the data and computational resources to carry out optimizing calculations on a scale that is not available to individual councils. And it has the authority to constrain and re-shape the plans of individual councils, when necessary — all, as noted, under democratically determined mandate and in the watchful gaze of an intelligent and informed public. Call this *rational iteration*.

Hahnel’s model contains commendable insight into iterative procedures that can capture local knowledge and shape various local participations and activisms into a coherent plan. This, however, degenerates into either a hollow parametric (Walrasian!) iteration, or a swamp of information overload and excessive participation, which Hahnel programmatically rejects. The impasse is caused by his unwillingness to break out of the rigid anti-authority dogma. A truly socialist iterative process requires both a Center and local enterprises/councils, and democratic qualities at both levels; this is rational iteration, and I believe it constitutes a workable alternative — to capitalism, to market socialism, to top-down central planning, to “negotiated coordination,” and also to horizontal parametric iteration.
A final note. What then should be said about the danger of degeneration of a Planning Center into a bureaucratic and authoritarian elite with interests opposed to those of the working-class majority? I want to be clear: this is an entirely legitimate concern! Without trying to provide an “answer,” I will make two observations.

First, there is nothing wrong with socialists addressing the issue by simply saying that it is an open question; and that it is our responsibility to work practically to keep bureaucratic degeneration from happening, by devising checks upon abuse of administrative power and promoting a culture that constantly undermines such abuse. Thomas Jefferson: “The tree of liberty must be constantly nourished by the blood of patriots and tyrants; it is its natural manure.” We don’t have to be quite so dramatic or bloodthirsty, but the message is clear.

However, I think we can also point to an objective foundation for transcendence of bureaucratic/authoritarian/elitist degeneration and its limitation to a precursor stage of socialist development. The nature of modern technology and the complexity of present-day tasks — including the monumental matter of achieving sustainability and protecting the natural environment for many future generations to come — set an imperative: there is simply no way for production to grow, qualitatively, and for the associated tasks to be met, without an educated and economically secure population, with critical understanding, and this working population is simply incompatible with monopolization of knowledge by a planning elite. “History” may not be on our side, but the formation of a highly individuated and skilled working class is.13

I don’t want to say that the PE model’s advocates, and many others on the left, worry about the problem of elitist degeneration unnecessarily; the experience of the 20th century provides us with enough reason to be cautious in this regard. Just that we can be guardedly

13 It may be worth remarking that bureaucratism, authoritarianism, corruption and privilege are functional for a capitalist society; they facilitate exploitation (reproduction of capitalism’s class structure) both directly and indirectly. Directly, by helping to preserve labor discipline at the workplace site and by breaking down working-class resistance to the terms of the wage–employment bargain. Indirectly, by creating diversionary figures (politicians, engineers, bureaucrats) that can siphon off subaltern anger and resistance and keep them from being directed squarely against capitalist power. (This lightning-rod effect is clearly at work in shaping the perceptions of sections of the left that are influenced by anarchist and neo-anarchist thinking.) For socialism, on the other hand, these deformations are clearly dysfunctional, since they do not serve the purpose of any class; they are obstacles to be overcome.
optimistic about the possibility of avoiding and removing the cancer of elitism and privilege within the socialist body — provided, going forward, we do what needs to be done.

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