Participatory Economics

A model for a new economy

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www.participatoryeconomics.info

Participatory Economics is a model for a new economy based on **democracy**, **justice** and **ecological sustainability** proposed as an alternative to our current economic system. This site provides readers with an introduction to the key values and institutions of a participatory economy with links to further information.

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INTRODUCTION

What might a desirable and viable alternative to our current economic system look like beyond vague ideals and nice sounding words? Participatory economics, sometimes abbreviated to Parecon, is a relatively easy to understand and yet comprehensive model that describes how an economy can be organised as an alternative to capitalism and centrally planned socialism.

The purpose of this website is to raise awareness and popularise an understanding of participatory economics amongst the general public, and to provide a springboard from which readers can go on to explore the model in greater detail.

- **Part 1** below, begins with a general introduction and some background information
- **part 2** presents a set of goals or values for a desirable economy to be based on
- **part 3** describes the key institutions of a participatory economy
- **part 4** includes more articles exploring different aspects of the model
- **part 5** provides links to further resources including ways to get involved with groups organising around the participatory economics model.

Anyone wishing to get a better understanding of what an economy is might find it useful to read the economic basics primer before getting started.

Economies in the 20th century

The two dominant economic systems in the last century can generally be described as capitalism and centrally planned socialism. Capitalist economies are based around the idea of private individuals owning productive property, workers selling their labour for a wage and competitive bidding between buyers and sellers through a market system determining the distribution of goods and services.

While capitalism in its purest form has never existed since it is dependent on a political state to regulate and prevent it from collapsing, various forms of state capitalism have been the dominant system in most countries around the world over the last century. Although material standards of living for many have increased (largely as a result of democratic movements to tame the system like the creation of the modern welfare system), today's societies are characterised by rising inequality between the rich and the poor, ecological

destruction, conspicuous consumerism, recurring financial crises, increasingly longer working hours, monopolies of power, persistent unemployment and a host of other undesirable outcomes. Most workers have very little meaningful control over their working lives, while large corporations and lobby groups have gained significant influence over the political system. As the recent occupy movement banners 'we are the 99%' reflect, the system advances the interests of an elite few above the vast majority, and, in doing so is not only unjust but is also leading us towards ecological catastrophe.

As workers in different parts of the world rose up against various forms of state capitalism in the early part of the twentieth century, demanding greater economic justice and democracy, and greater control over their working lives, the other dominant system of the 20th century, centrally planned socialism, came into being in the Soviet Union and in other parts of the world. Under this system private ownership of productive property was replaced with state ownership and competitive markets were replaced with central planning. A privileged class rose up to take a position of power in the economy separate from the working class. State socialism also failed in delivering meaningful democracy and justice, with an equally poor ecological record.

Alternatives for the 21st century

While many people around the world are growing ever more dissatisfied with an economic system based on competition and greed, and who also do not believe that authoritarian planning is the answer, the question of what to put in place of these systems have left many without an answer.

> *"[Capitalism] is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous – and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed."*
>
> – JOHN MAYNARD KEYNES

In the 1980s, the conservative British Prime Minister, Margaret Thatcher declared "there is no alternative" (her now infamous TINA doctrine). In reply to this, others challenging this dogma have asserted "Another World is Possible" but most of them have so far failed to present a coherent and convincing alternative. Participatory economics, then, can be understood as both a direct challenge to the TINA doctrine as well as an attempt to formulate a serious answer to the question of economic vision. It is hoped that participatory economics will make an important contribution towards informing experiments and movements seeking to win a more just and democratic economy.

Participatory Economics

In summary, a participatory economy entails social ownership of productive property, self-managed workplaces and neighbourhood councils. Inside workplaces decisions are made democratically and each worker has one vote, jobs are balanced so that no-one is left with only rote and disempowering work and payment is made according to one's effort or personal sacrifice. Citizens in communities belong to neighbourhood councils where they can participate in decisions over consumption and local public goods. Workers' and consumers' councils are linked through a democratic federated structure made up of larger geographical units, and a de-centralised democratic planning procedure is used to create the overall plan for the economy.

The key values or goals of a Participatory Economy are defined as:

- **Self-Management** – decision making say in proportion to the degree one is affected
- **Justice** – reward for effort or personal sacrifice
- **Solidarity** – concern for the well-being of others
- **Diversity** – the flourishing of a variety of lifestyles and outcomes
- **Efficiency** – meeting our goals without wasting our limited time and resources
- **Sustainability** – protecting and nurturing our natural environment

The key institutions to achieve those goals are:

1. **Democratic Worker and Consumer Councils**
2. **Jobs Balanced for empowerment and desirability**
3. **Compensation based on effort and need**
4. **A participatory planning procedure**

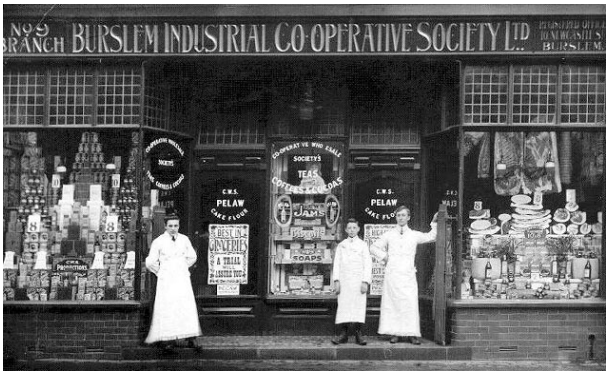
History & Origins

"As a practice, [Participatory Economics] is embodied in the collective struggles for cooperation rather than competition that have occurred for centuries and which are reflected today in processes of participatory budgeting and the development of worker cooperatives."

– MICHAEL LEBOWITZ (PROFESSOR OF ECONOMICS AT SIMON FASER UNIVERSITY, VANCOUVER CANADA)

Participatory economics originates from the last two centuries of thought and experimentation around the idea that people should be free to manage their own lives with others democratically, co-operatively and fairly, without being ordered from above, or being driven by greed and fear to compete against one another.

The origins are rooted in the vision of an economy shared by many who have fought for greater economic justice and democracy, but developed into a coherent formal model explaining how such a system could work in practice in a modern society of millions of people. The model was first formally presented in 1991 by economists Michael Albert and Robin Hahnel and has since been gaining growing interest.



Historically, there have been features of a participatory economy implemented in many different parts of the world, including in South America and during the Spanish and Russian revolutions, where workers formed networks of self-managed councils and federations. In the world today, you can find elements of participatory economics in action, where people are engaging in participatory budgeting, and within the global co-operative movement consisting of many thousands of worker owned and controlled businesses. The participatory economics model seeks to extend the values of worker co-operatives to the whole economy, through linking them via a democratic planning procedure thereby advancing one of the key principles in the cooperative movement of 'co-operation between co-operatives'.

Please continue reading to explore the values and institutions of a participatory economy in greater detail.

VALUES

When thinking about a desirable economy it is important to be clear from the very start about our goals, about what kind of human beings we want to become, and what principles and values we want our economy to be based on. Only then can we begin to form economic institutions and decision making procedures, and to assess the degree to which they achieve our goals and why they presumably are better than possible alternatives.

A participatory economy is an economy that strives for **democracy**, **justice**, **solidarity**, **diversity**, **efficiency** and **environmental sustainability**.

Economic Democracy

When we look at the decision making norms in most workplaces today, typically a minority at the top, made up of the management, make the important decisions, while workers lower down in the hierarchy carry out the orders. Most workers have very little say over the running of the workplace or meaningful control over their work lives. Hierarchical decision making structures in the political system, labelled authoritarianism or dictatorships are no longer tolerated in most parts of the world. So if we reject the idea of a political elite dictating our lives and we value democracy, then it should be applied to all domains of social life, including the economy. But what exactly do we mean by economic democracy?

One interpretation is that everyone should be free to do whatever they want with their person and property, including the right to enter into any contract they wish with anyone else. This is usually referred to as economic freedom. A major problem with this definition is that the economic freedom of one person often conflicts with the economic freedom of another person. For example, when a person is free to pollute, it effects the freedom of others not to be polluted; If banks and financial institutions are free to gamble recklessly, citizens are not free to save safely or live in a crisis-free environment.

Another concept of economic democracy is majority rule. The first problem with this norm is that it tells us nothing about who should have a vote in a particular decision. The other problem with majority rule is that many decisions affect some people more than others, which means that those more affected by a decision can find themselves overruled by those who are less affected, or not affected at all. So, while the concept of majority rule may work well if decisions affect us all equally, it doesn't work well for the overwhelming number of decisions that affect some more than others.

Supporters of participatory economics therefore think that economic democracy should

be defined as *a say in decision making in proportion to the degree one is affected by the outcome of a decision*. If you are affected more than others by a decision, then you would have more say than they do; if you are affected less, you would have less say than they do. Advocates of participatory economics call this self-management. Self-management maximises human freedom by giving people control over their lives. The capacity to analyse and evaluate the consequences of our actions, choose among alternatives based on our assessments, and the ability to act on them are important human needs that a Participatory Economy would seek to fulfil.

Economic Justice

Entering into economic co-operation with others involves incurring burdens and receiving benefits. In today's societies, we have witnessed a tremendous rise in income and wealth inequality where the vast majority of the benefits of economic activity go to a small minority of people. In many countries, the richest 1% of the population own a significant proportion of the country's total wealth and there is growing research showing a strong correlation between inequality and social problems including levels of crime and detrimental effects to human mental and physical health and well-being. But what is a fair distribution of the burdens and benefits of economic activity? There are four main distributive principles that have been put forward:

1. To each according to the contribution of their productive property

One concept is that people should get out of an economy what they and their productive possessions contribute to the economy. Productive property includes things like land, buildings, machinery or – what is the same thing – ownership of stocks in corporations.

The most common way productive property is acquired is through inheritance. According to this principle the grandson of a very wealthy family should be given many thousand times more in compensation than a highly trained, highly productive grandson from a working class family, even if the wealthy grandson doesn't work a day in his life and the working class grandson works many years producing goods of great benefit to others. Having the fortune to be born into a wealthy family and inheriting ownership over economic assets is not a compelling moral argument for deserving greater income.

Other ways people acquire more productive property than others is through good luck, for example investing in shares of a rising or declining company or industry, or through unfair advantage; for example, through being stronger, better connected, having insider information, or being more willing to prey on others. Good luck or unfair advantage are no moral basis for receiving greater rewards.

But even if we assume that individuals can gain some greater ownership over productive property fairly through some meritorious means, there is still a major moral problem. Labour and credit markets enable owners of productive property to capture part of the efficiency increase in the productivity of other people, and turn them into permanently higher incomes that increase over time. For example, when an employer hires labour they pay them wages that are less than the full value they have produced working with the productive wealth, thus the owners gain part of the efficiency gains of the labourers' work in profits. Ownership of productive capital, even if justly acquired, will transform into additional income that is far greater than is merited by any initial effort or sacrifice.

Every empirical study of the origins of wealth inequality concludes that differences in ownership of productive property which are gained within a single generation due to differences in sacrifices and/or differences in contributions people make themselves are quite small relative to the differences in wealth that are due to inheritance, luck, unfair advantage and accumulation. This means that the vast majority of income gained from property cannot be considered just.

> *"You may set it down as a rule that the rich, the possessors of great wealth, had no moral right to it based upon desert, for either their fortunes belonged to the class of inherited wealth, or else, when accumulated in a lifetime, necessarily represented chiefly the product of others, more or less forcibly or fraudently obtained."*
>
> EDWARD BELLAMY, 1888, LOOKING FORWARD

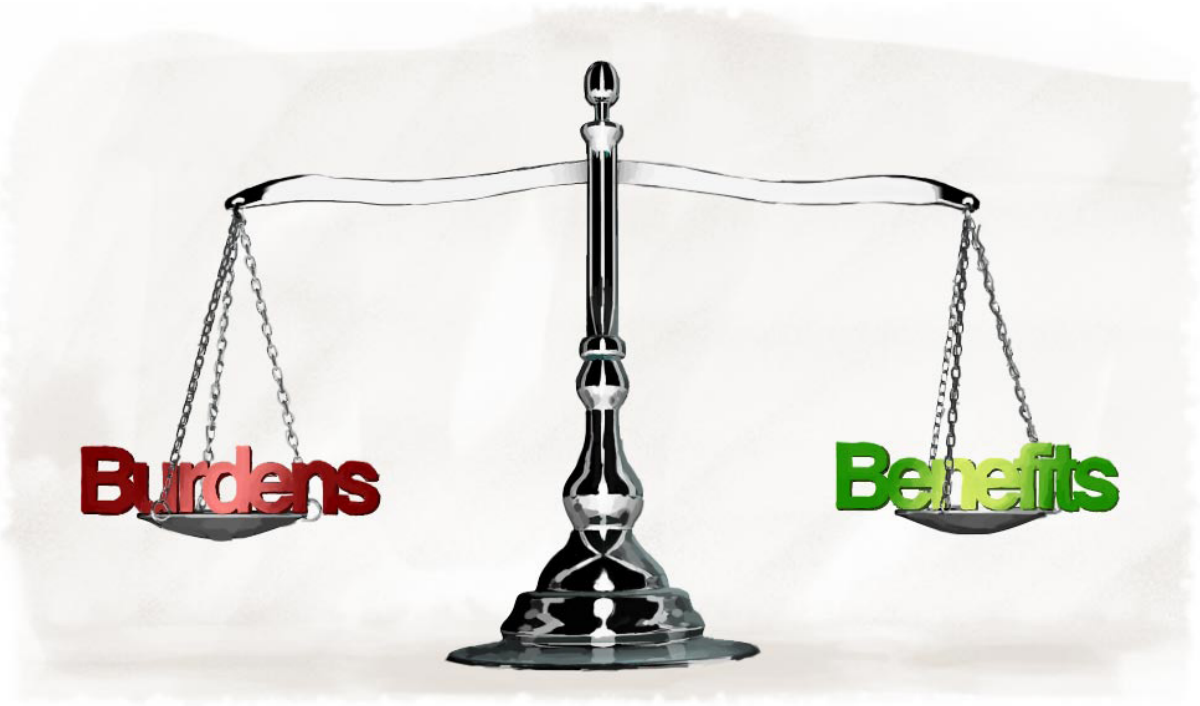
2. To each according to the contribution of their personal labour

Many people agree that most property income is unfair, but maintain that all have a right to what they call the "fruits of their own labor." The reasoning is that if my labor contributes more to the social product I should receive more. While this sounds good on the face of it, it suffers from the same reasons for rejecting income based on ownership over productive

property. This is because most differences in people's personal productivities depend on factors over which they have no control. For example the value of what people produce depends largely on the number of people working in each labour category or industry, changes in consumer demand, the quantity and quality of other complimentary units such as machinery and tools, and most importantly, the intrinsic qualities of people themselves. However productive a strong physique or a high IQ may be, that doesn't mean that the owner of this trait deserves more income than someone else less gifted but that works as hard or sacrifices as much. The 'genetic lottery' is no more fair than the 'inheritance lottery'.

3. To each according to their effort or personal sacrifice

The only thing a person has control over is how much effort they choose to expend, whereas people cannot decide to be tall or intelligent, or influence external factors they have no control over. It is commonly considered unjust to punish someone for something that they cannot affect. Since each participant bears burdens as well as enjoys benefits, it is equalisation of net benefits, meaning benefits enjoyed minus burdens borne, that makes the economic cooperation fair. Only then will an economy treat all participants equally by giving equal importance to everyone's differing priorities. All workers have equal freedom to choose whether to work longer and receive greater income, or work less and enjoy more leisure time, but either choice results in the same net benefits.



In a participatory economy the goal is that compensation should be based on effort or personal sacrifice. This can take many forms, such as longer work hours, less pleasant work, or more intense, dangerous and unhealthy work.

4. To each according to their need

Obviously, there will always be some in any economy who are unable to make contributions, such as some people with severe disabilities, and some who should be exempted from doing so even if they are able, for example children and retirees, and therefore receive an income nonetheless. There are also situations where it is considered humane that individuals should be provided with greater access to goods or services than warranted based on the sacrifices they have made. For example, those who require greater medical care or are victims of a natural disaster.

Supporters of participatory economics believe that ignoring differences in sacrifice would be unjust. However, ignoring differences in need in some circumstances would be inhumane. Therefore, the complete distributive principle of a participatory economy is *to each according to their effort or personal sacrifice, and need*.

Solidarity

The logic of our current economy is such that our interests are pitted against each other, so that for one person to get ahead it is often at the expense of someone else. In contrast, a Participatory Economy seeks to create conditions that reveal how our interests are intertwined, so that for one person to advance we all advance in the spirit of mutual-aid, co-operation and solidarity.

Solidarity is defined here as concern for the well-being of others and granting others the same consideration in their endeavours as we ask for ourselves.

The ties in a society that bind people together as one have been a powerful creator of human well-being throughout mankind's history. It is clear that for human beings, cooperation is an important part of human life and we should try to organize economic institutions to encourage instead of discourage people from acting out of solidarity with others.

Diversity

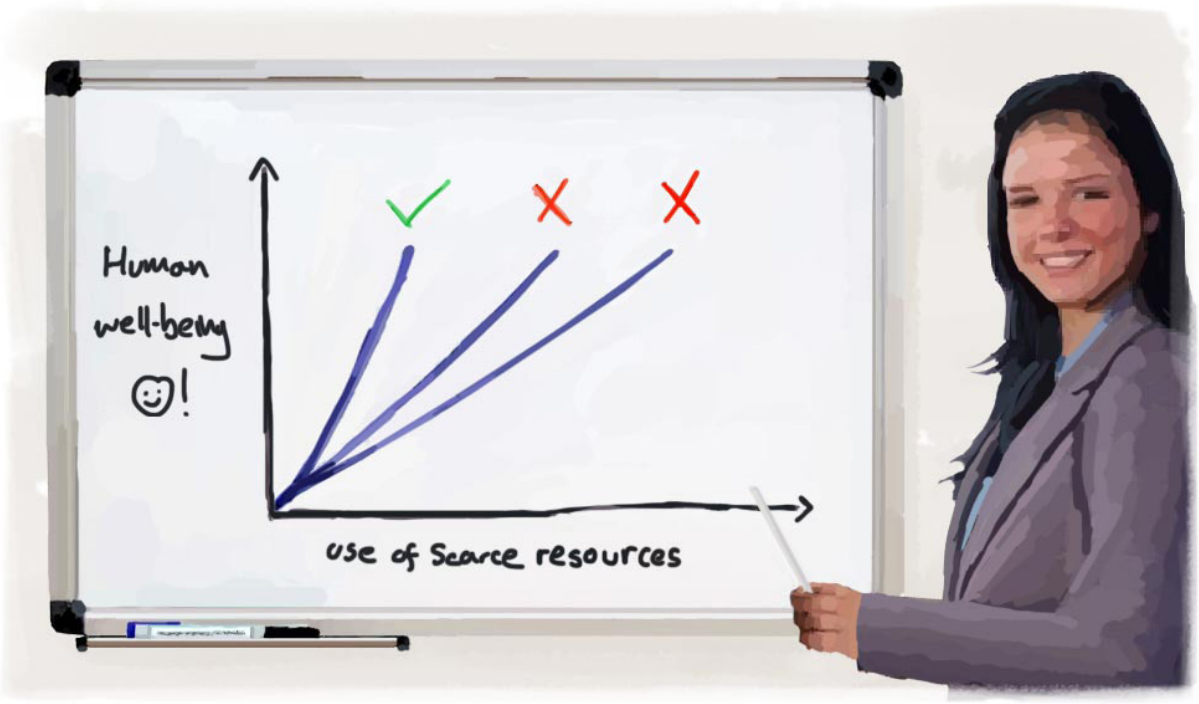
Diversity refers to people having a large variety of choices to fulfil their needs and desires. Since humans show a large variety in preferences, tastes, potentials and lifestyles, the best life for one is not necessarily the best life for another. Variety adds to the richness of all our lives. A participatory economy rejects conformity, homogenisation and regimentation in favour of flourishing diversity in our lives.

The other benefit valuing diversity brings is not placing all our eggs into one basket. It is important to experiment with different ideas, explore different options, and encourage minority viewpoints, in case one path followed turns out to be wrong.

Efficiency

Many people who are critical of the present economic system are turned off by the word "efficiency". This is for two reasons: many seem to think that the word efficiency is the same as profit maximisation – which it is not, and secondly, we are often told that the virtue of free markets are that they are efficient – which they are not. For example, an efficient economy

would not result in global warming, financial crises, booms and busts and persistent unemployment.



Efficiency means meeting our economic goals, with as little waste of resources, time, labour and energy as possible. A participatory economy seeks to be an efficient economy, to maximise human well-being for all, so that we don't squander our scarce resources, or needlessly waste our time and energy performing burdensome labour or doing jobs with no social value.

Environmental Sustainability

Our other stated values already implicitly contribute to our understanding of sustainability. For example, if an economy uses up natural resources too quickly, leaving too little for later, it is not **efficient**; if an economy sacrifices the needs of future generations to fulfil the desires of those in the present generation, it has violated intergenerational **justice**; if we destroy our tropical jungles, forests and ecosystems, we have lessened, not increased **diversity**.

However, supporters of participatory economics see environmental sustainability as more than just following on from the values already stated above. Valuing and caring about our natural environment is an important value in and of itself. A participatory economy is therefore a green economy that seeks to meet our economic needs without diminishing the ability of future generations to meet their needs and continue to progress. This means leaving future generations conditions at least as beneficial as those we enjoy today.

After defining a set of values or goals for a desirable economy to be based on, institutions

can be designed for achieving them. Please continue reading to see how the institutions of a participatory economy are designed to further economic democracy, justice, solidarity, diversity, efficiency and environmental sustainability.

INSTITUTIONS

A participatory economy is organised around democratic councils of workers and consumers and a decentralised co-operative planning system, called participatory planning. It aims to balance jobs for empowerment and desirability, and to compensate workers based on their effort and sacrifice.

Social Ownership

In a participatory economy the means of production are socially owned. The means of production have also been called capital or productive property. It includes our natural capital, such as land, resources and minerals; produced capital, such as buildings and facilities, the machines and equipment inside them; and human capital, such as the skills different people have. It also includes our accumulated knowledge and technologies used for producing goods and services.

The means of production are a product of thousands of years of human endeavour which each generation inherits as a gift. Advocates of participatory economics believe that all of this belongs to all of us and we should have an equal right to benefit from and decide on how it is used. This means there are no owners of our means of production in a participatory economy. Everybody and nobody owns the means of production. Instead society grants worker councils and their federations “user rights” to particular parts of the means of production through the participatory planning process in a way that ensures that all benefit equally, which is very different to both private and state ownership economies of the past.

In this section:

DEMOCRATIC COUNCILS

In our current economy production and consumption is predominantly organised through privately owned corporations utilising top-down hierarchical decision-making. Instead, in a participatory economy, there are democratic *worker councils* and *consumer councils,* and their *federations*. Councils are institutions in which people have equal rights and come together to discuss, decide and vote.

Worker Councils

In a participatory economy all workers are members of a worker council in which each worker has an equal say about how the workplace is organised and run.

A GROUP OF WORKERS IN THEIR WORKER COUNCIL MEETING TOGETHER TO DELIBERATE AND MAKE DECISIONS.

The worker council is the highest decision making body in the workplace and is similar to a shareholders' meeting in our current economy, except that in a participatory economy every worker in a worker council has one vote. The idea is that decisions within workers' councils follow the norm of self-management, where every worker has decision making say proportional to the degree that they are affected by the outcome of a decision. To further self-management, differing voting procedures could be implemented, for example, by majority, consensus, etc. Also, larger workplaces may choose to create various sub-units that have autonomous decision-making power on issues that are only of concern for them.

Everyone is free to apply for membership to the council of their choice, or apply to form a new worker council with whomever they wish.

Consumer Councils

Every individual, family, or living unit belongs to a neighbourhood consumer council. In the neighbourhood consumer council, “households” put in requests about what goods and services they wish to consume. Consumption rights are constrained based on members’ incomes. Members of society who are excused from work for reasons such as illness or retirement will already have a consumption allowance as determined by the society as a whole. In addition to consumption rights based on effort ratings from work, consumer councils are free to decide whether some members should be granted extra consumption allowances due to special needs that may arise.

A FAMILY WHO BELONG TO A NEIGHBOURHOOD CONSUMER COUNCIL DISCUSSING CHANGES AND PRIORITIES IN THEIR CONSUMPTION FOR THE YEAR AHEAD.

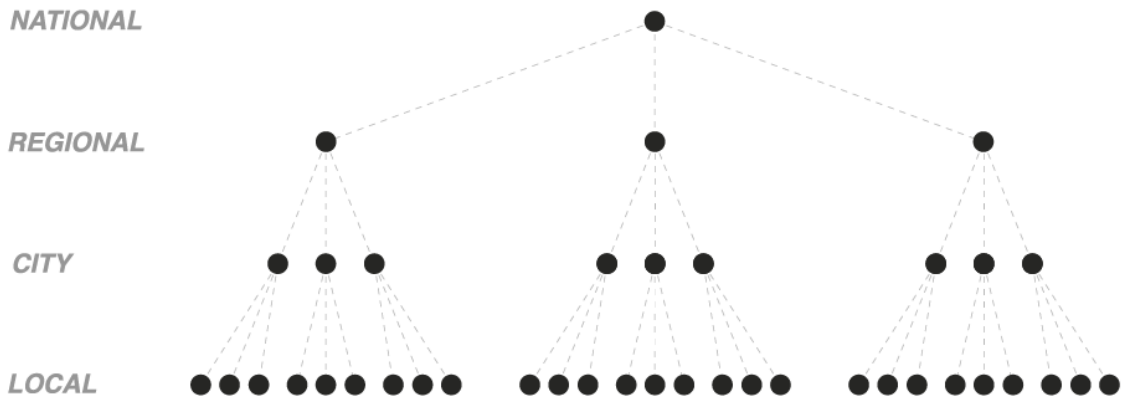
All members of society consume both private goods (e.g food, clothes) and public goods (e.g parks, libraries, playgrounds). Through consumer councils members can make requests for public goods as easily as they can for private goods.

Federations

Every worker and consumer council will elect representatives to higher layers of councils, called federations of councils. Worker councils are federated across industries, and consumer councils are federated geographically by local, city, regional and national levels. The nesting of councils is necessary because different decisions impact differently on various sections of the population.

For example, representatives to the city federation of neighbourhood consumer councils, would discuss and vote on the relative merits of different city-wide public goods. At the

national level, representatives discuss and vote on the planning and construction of national level public goods, which could include national parks, education or healthcare.



As a safeguard against misconduct, all representatives in federations can be subjected to rotation, recall and instruction by lower level council members.

BALANCED JOBS

In any economy there are jobs that define the tasks that individual workers perform. In hierarchical economies, such as capitalism or centrally planned socialism, a majority of jobs entail relatively disempowering and undesirable tasks, whereas the minority of jobs entail mostly empowering and desirable tasks. Disempowering work includes tasks that largely consist of repetitive or mundane labour. Empowering work includes tasks that consist of professional, intellectual, managerial or technical labour.

The uneven distribution of tasks in hierarchical economies makes the labour and life of some more empowering and often more desirable than the labour of others. Additionally, this minority tend to monopolise information and knowledge at the workplace because they do most of the empowering tasks. Since influence over economic decision-making is affected by the knowledge obtained at the workplace, it is likely that those workers who obtain more confidence and knowledge will dominate meetings and discussions even when each worker has one vote. Uneven distribution of empowering and desirable tasks thus foster class division and the emergence of hierarchies.

A participatory economy aims to organise jobs differently. To the extent it is possible and practical, worker councils are called upon to distribute and combine tasks into jobs so that all participate in some empowering and desirable tasks. This is for two reasons:

1. to avoid the emergence of class divisions, so that a formal right to participate in economic decision-making equates to an effective right to participate equally. This promotes the value of self-management.

2. to fairly share the burdens and benefits of labour, so everyone has the opportunity to do fulfilling and desirable work. This promotes the value of justice.

Specialisation will not be eliminated by balanced jobs. The idea is not that everyone perform every task, or that all jobs are rotated. A balanced job will still only involve a small number of tasks. For example, there will be workers that still specialise in surgery, architecture, engineering and so on. However, if the specialised tasks are more empowering than tasks are on average, those who perform them will also perform some less empowering tasks as well.

The balancing of jobs is a flexible process and could be conducted over months and not over every hour or day. Workers with higher than average levels of desirable work may

EXAMPLE – ONE POSSIBLE WAY THAT JOB BALANCING COULD BE ACHIEVED, COULD BE TO RANK TASKS FROM 1-20; 20 BEING THE MOST EMPOWERING AND 1 THE LEAST. IN THE ILLUSTRATION ABOVE, EACH WORKER HAS A JOB THAT INCLUDES A SET OF DIFFERENT TASKS THAT ON AVERAGE HAVE THE SAME OVERALL LEVEL OF EMPOWERMENT AS OTHER WORKERS, WHICH IS 14 IN THE EXAMPLE SHOWN.

also work more hours or obtain less income as balancing mechanisms. The balancing of jobs will also consider the contexts of work places, such as what is practical in a given situation. Technological and individual capabilities and preferences will also be taken into account. Because the balancing is undertaken within worker councils, and not by external bureaucracies, there is scope for balancing jobs in accord with workers' numerous desires, abilities and skills as well as the specific characteristics of a work place.

COMPENSATION FOR EFFORT

In return for performing work, workers receive benefits in the form of consumption rights for goods and services. If we think of what the economy produces as one big pie, every worker is allocated a slice, or share of the social product, which is called income. It is essential for an economy to have a criterion for distributing income, not only for making sure it is distributed fairly, but for practical reasons as well. Quantitative information is necessary for the allocation system, described under participatory planning, to function at all, not least to be efficient.

In our current economy, an individual's consumption rights depend on a variety of

factors, including ownership of productive property, bargaining power, talent, training, luck, and to a far lesser extent, effort, which results in an unequal and unfair distribution of burdens and benefits of economic activity. However, the only factor under our control is our effort.

Therefore, a Participatory Economy will aim to compensate workers according to their effort or personal sacrifice for performing socially useful labour.

Worker councils are advised to set up procedures in order to provide members with an 'effort rating'. This means that those who choose to make greater personal sacrifices at work are rewarded with greater consumption rights. As explained before, effort can take different forms: longer working hours, at a higher intensity, or by performing more dangerous, unhealthy, less gratifying, or unpleasant work.

It is important to note that the process of allocating income is separated from the process of charging workplaces for their use of different categories of labour, i.e the income a worker receives is not the same as the cost of labour that the workplace is charged. This will be explained under participatory planning.

Self-managed worker councils have autonomy over how they go about rating their members. The only restriction placed on them is that the average effort rating that worker councils award their members is capped. This could be done by either giving the same cap

ONE WAY THAT THE FIVE WORKERS AT THIS WORKPLACE COULD CHOOSE TO RATE EFFORT COULD BE BY THE DIFFERENCES IN THE NUMBER OF HOURS THEY WORK. IN THIS CASE, JILL WHO WORKS 40 HOURS WOULD RECEIVE HIGHER INCOME (400 CREDITS) THAN DAVID WHO WORKS ONLY 20 HOURS AND THEREFORE RECEIVES LESS INCOME (200 CREDITS)

to all workplaces or by basing it on the social benefit to social cost ratio of the workplace as explained in participatory planning on the next page. The reason for capping is to avoid the possibility of workers over-estimating each others effort ratings in return for the same favour, or what could lead to “effort rating inflation”.

It is likely that workplaces will come up with different approaches to measuring effort. This will be democratically decided by the workers of an individual workplace. For example, workplaces might want to set up an effort rating committee, but the rules for number of members, length of service, rules for rotation, grievance procedures and their methods of collecting information may vary from one worker council to another. Other workplaces may wish to simply base each individual’s ratings on those submitted by their co-workers, or rely solely on self-ratings, or just on the number of hours they have worked.

There will also be differences between worker councils in the level of accuracy they choose for grading effort. As mentioned, many worker councils may choose to use only the number of hours worked as a basis. However, other workplaces may wish to take into account intensity, using approximate grading e.g. below average, average, above average; while others may want much more precise grading e.g. a scale from 1-100. The procedures chosen will depend entirely on the preferences of each individual worker council, in accordance with self-management.

In a participatory economy consumption rights can also be awarded based on need. Requests for consumption based on special needs are made and assessed within consumer councils, not within worker councils. In addition, consumption rights would presumably be provided on compassionate grounds to those who:

1. are physically unable to work e.g. people with certain debilitating medical conditions.
2. have been affected by events beyond their control, such as natural disasters, flooding, fires, etc.
3. can work but have been identified by their fellow citizens as either too young or too old, such as children or retirees.

Exactly how much income individuals in the above categories receive will be decided democratically by society, including the level of income for those who are able to work but choose not to.

The full distributive maxim of a participatory economy is: **Remuneration to each according to their effort or sacrifice, and need**. Further issues and questions surrounding compensation based on effort and need, concerning incentives, efficiency, measurability, and so on, are addressed at length in materials elsewhere that readers can explore further in the more section.

In summary, differences in income in a participatory economy would be based on differences in the effort or personal sacrifice workers choose to make in performing socially

valuable work, as judged by their co-workers. Compensation based on effort delivers economic justice, while providing adequate incentives to work. Also providing income based on need furthers solidarity towards others by providing for those in society who are unable to contribute or have suffered misfortune.

PARTICIPATORY PLANNING

Any economy has to decide what goods and services to produce and consume, and in what quantities. In other words, any economy must have some allocation system. Broadly speaking there are three systems of allocation from which to choose:

1. **Markets** – competitive bidding between buyers and sellers which determines what is produced and consumed.
2. **Command Planning** – a centralised bureaucracy collects information and decides on a plan for what is to be prodced and consumed.
3. **Democratic Planning** – workers and consumers cooperatively create and approve a plan for what is to be produced and consumed.

Different allocation systems promote different values and accommodate different institutions. The basic building blocks of a participatory economy are:

- **workers' councils** and their federations, and
- **consumers' councils**, and their federations

Within worker councils, decisions are made democratically, jobs are balanced for empowerment and desirability, and any differences in income are due to different levels of effort people choose to expend, in addition to any special needs allowances they may receive based on decisions in their consumer councils.

A Participatory Economy needs an allocation system that complements these institutions. Allocation in a participatory economy cannot be done via competitive markets or command planning since they are not consistent with the goals or values stated earlier. Therefore, allocation in a participatory economy is conducted via a unique democratic planning procedure, called Participatory Planning: a decentralised process, whereby councils and federations of workers and consumers make and revise their own activity proposals, over a series of rounds, leading to the creation of a feasible, efficient and fair plan.

This annual procedure takes place in the context of longer-term investment and development plans that have already been agreed upon. This means that the supplies of capital goods and different categories of labor available for use this year, and the amount of new investment goods to be produced are already known when the annual planning process begins.

The Participants

The participants in the planning procedure include:

1. Worker Councils and federations
2. Consumer Councils and federations
3. An Iteration Facilitation Board (IFB)

In a participatory economy every worker belongs to a worker council where they take part in formulating the workplace's production proposal for the year ahead. Worker representatives are elected to wider worker federations covering whole industries.

Every citizen or family unit is also a member of a neighbourhood consumer council. This is where they submit their personal consumption requests, participate in discussions about what local public goods to ask for, and vote for recallable representatives to higher level federations of consumer councils at the ward, city, state, regional, and national levels.

The Iteration Facilitation Board (IFB) is made up of workers whose role is to facilitate the flow of information during the planning process. IFB workers update prices (estimates of opportunity and social costs) of all inputs and outputs from round to round based on an agreed set of rules designed to reach convergence of a coherent plan, explained in more detail below. It is important to note that those who work at the IFB do not have any discretionary powers and could in theory be replaced by an algorithm.

The Planning Procedure

The basic concept of participatory planning is quite simple: Workers propose what they wish to produce (supply), consumers propose what they wish to consume (demand), prices are updated and the process repeats itself over a series of rounds or 'iterations' until a feasible plan is reached, i.e. until there is no longer excess demand for any good or service. Each round of the planning procedure involves the following three steps:

Step 1 – PRICES ARE ANNOUNCED

The IFB announces prices, which are simply current estimates of the opportunity costs of natural resources, categories of labour, and capital stocks, the social costs of producing different goods and services, and the damage caused by different pollutants. These 'indicative' prices signify estimates of what it costs society when we use different resources, emit different pollutants and produce different goods and services. In addition to this, descriptive text may also be included, providing councils with further information that cannot be captured by the numbers alone.

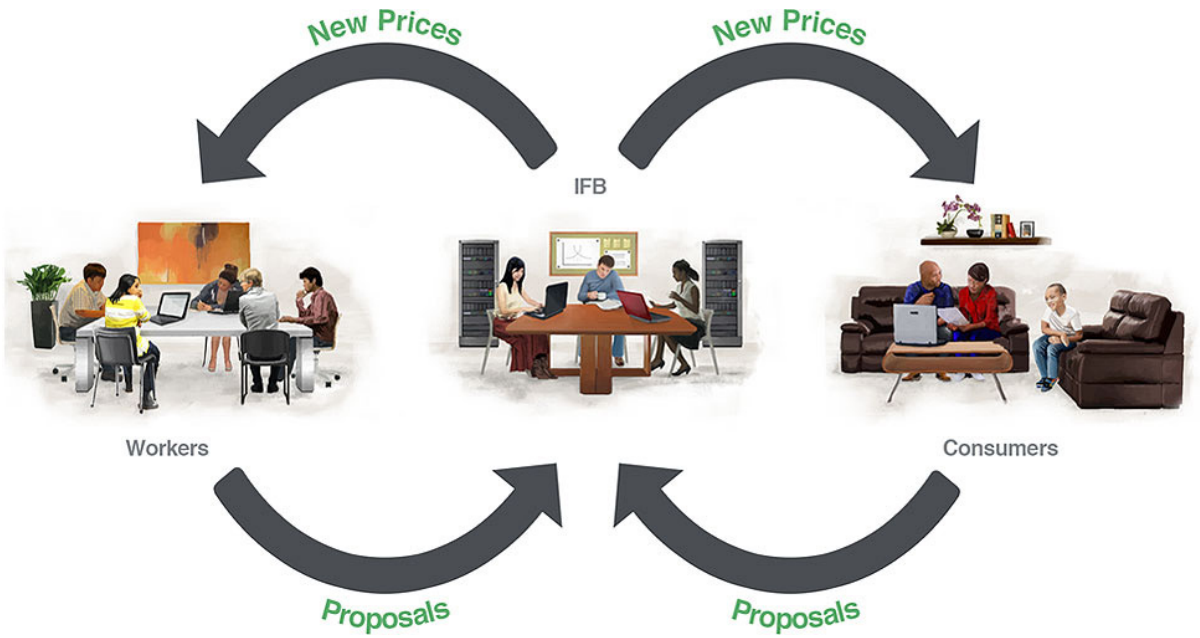
Step 2 – PROPOSALS

Using the indicative prices, consumer councils and federations submit proposals of what goods and services they wish to consume. Worker councils and federations submit production proposals of what goods and services they will produce, including any pollutants created as by-products, and the inputs they need to use in order to carry out their proposal.

Step 3 – PRICES ARE UPDATED

The IFB updates the indicative prices up or down in proportion to the degree of excess demand or supply.

The above process repeats itself over several rounds or 'iterations' – with each round providing ever more accurate information on the estimates of opportunity and social costs based on how all actors' choices and desires impact on others – until there are no longer any excesses in supply or demand i.e until a realistic and mutually agreed upon plan for the year is attained.

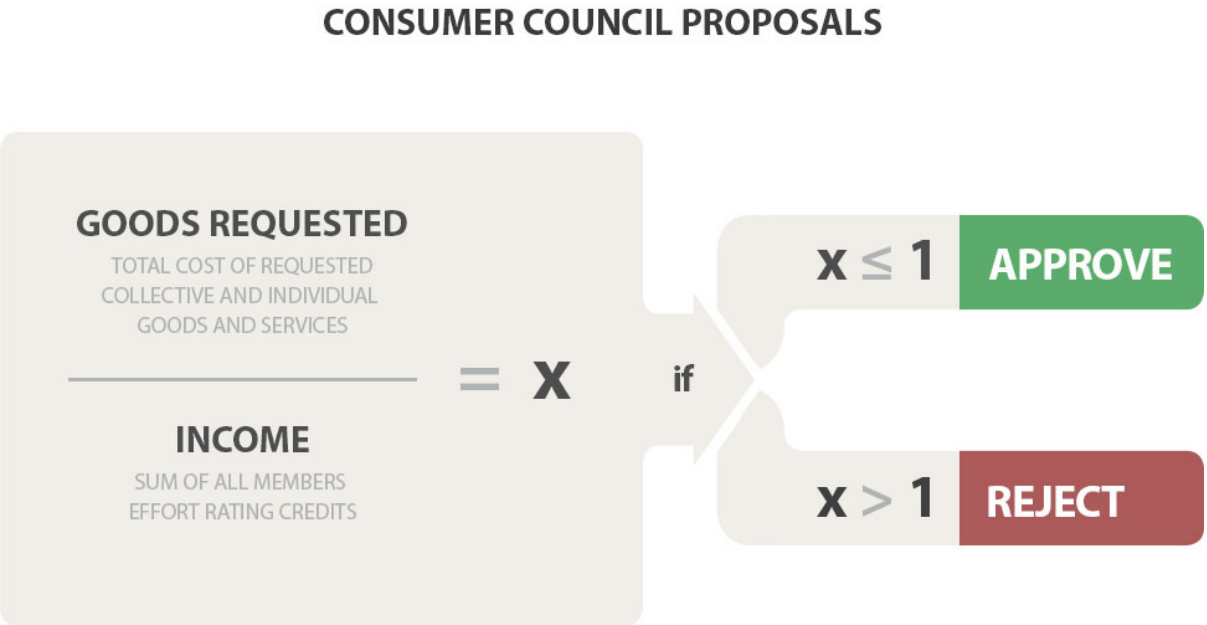


Approving proposals

As described, during each iteration, every worker and consumer council and federation submits a 'self-activity' proposal of what they intend to produce or consume for the year ahead. The proposal requires approval by other councils and federations, who simply vote yes or no on whether to approve the proposal or not. But on what basis do councils determine whether to approve others' proposals?

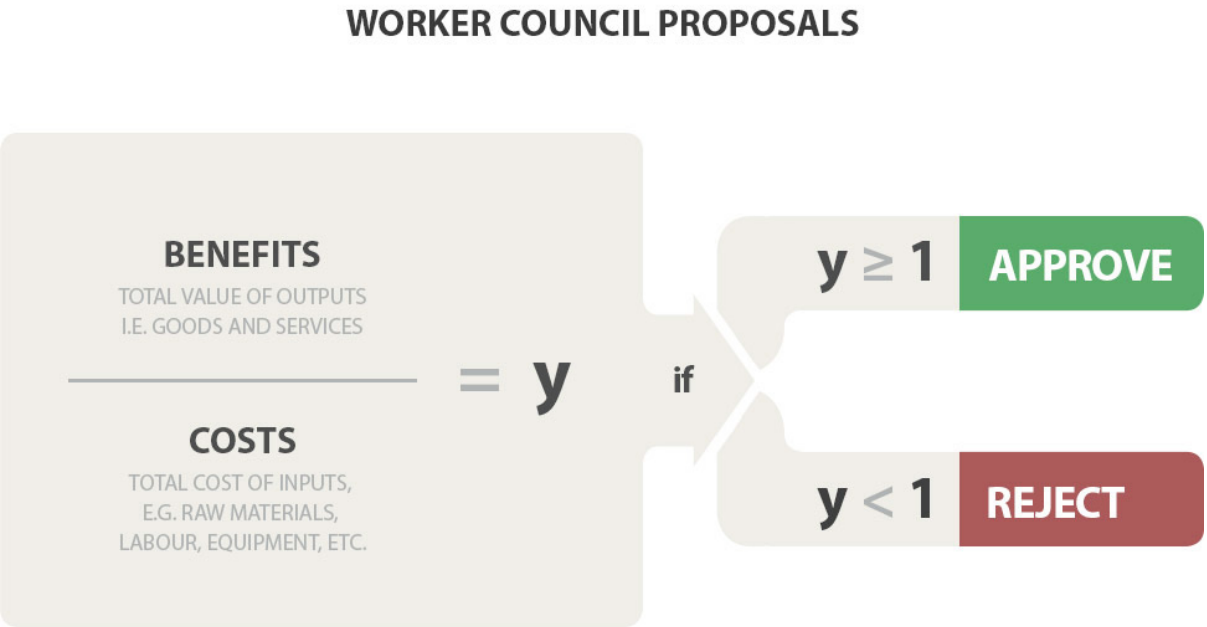
The participatory planning procedure is designed precisely to provide the necessary information to enable workers and consumers to make it clear whether proposals made by others are making use of scarce resources responsibly and whether requests made by other consumer councils are fair.

Consumer councils and federation proposals are evaluated by multiplying the quantity of every good or service requested in the proposal by its indicative price (estimated social opportunity cost). This total is compared against the average effort rating plus any special allowances of the members for the consumer council or federation making the request. For example, if a consumer council's average effort rating is equal to the social average, they are entitled to consume goods and services equal to the social average. Neighbourhood consumption councils whose members have made greater than average sacrifices are entitled to consume goods that cost more than the social average, those making less than average sacrifices must consume goods that cost less than the social average.



On the production side, worker councils' proposals are evaluated by comparing the estimated social benefits of its outputs to the estimated social costs of its inputs. These totals are calculated by multiplying the quantities of inputs and outputs by their prices, including negative prices for proposed pollutants. This information is used to calculate the social

benefit to cost ratio of each worker council proposal. If the social benefit to social cost ratio is above one, the council has proposed to use resources belonging to everyone responsibly, and everyone is better off by approving the proposal.



The information generated during the planning procedure makes it quick and easy for councils to know whether the requests they and others are making are fair or not, efficient or not, and therefore whether or not to approve the proposals of other councils.

Individual and Public goods

Public goods are goods that are consumed collectively by groups of people. This could be small sized numbers of people in neighbourhoods or larger groups in cities or even covering the whole society. For example, a neighbourhood gym, public transport in a city or public education for everyone in society. The cost of the good or service is borne by those consuming the good leaving them with less available for personal consumption. One important distinguishing feature of participatory planning is that requests for collective consumption, through consumer councils and federations, are just as easy to make as requests for individual consumption.

In neighbourhood consumption councils, members meet to discuss, propose and vote on the level and composition of neighbourhood public goods consumption. Federations responsible for different levels of collective consumption – and limiting pollution levels – at higher levels from city, regional and national level, are also governed by democratic decision making procedures where each council in the federation sends representatives to the higher level. Representatives meet to discuss what public goods larger groups of consumers want to request during each round of the planning procedure.

It's important to note that these are all meetings within councils and federations and that these meetings are only concerned with what they want to do themselves, not what others should do, thus avoiding many potentially time-consuming and arduous deliberations.

Arriving at the plan

The planning procedure achieves a feasible, efficient and equitable plan through its system of incentives, because in order to win approval for their proposals:

- **Consumers** requesting more than their effort ratings warrant will need to either reduce the amounts they request, or choose other items which are less costly.
- **Workers** will need to either increase their efforts or change production towards producing more desirable outputs, or using less costly inputs.

In each round, estimates become more accurate, moving closer to true opportunity and social costs. It is also important to stress that if a proposal is not approved, the council that made the proposal and no-one else is responsible for revising its own proposal for resubmission in the next round of the planning procedure. This is another aspect that sets apart participatory planning from all other planning models – and is crucial for having meaningful self-managed democracy.

Carrying out the plan

In contrast to market economies, where producers guess and try to influence what consumers will demand (resulting in tremendous economic inefficiency, recessions and waste), a participatory economy is a planned economy whereby consumers are asked in advance what they expect to consume in order to help create a plan for the year ahead.

However, this does not mean consumers are expected to know everything they will want in detail. Proposals for private consumption are just best estimations of what they think they will want based on choosing from a list of 'coarse' categories, such as shoes, bicycles, computers, etc. The whole process will likely only take the average person very little time, looking at their consumption from the previous year and making adjustments up and down where necessary.

Some requests will be more accurate than others in their estimations and consumers will need to make changes throughout the year. Each consumer could have an electronic card that is charged whenever collecting goods and using services. The consumer could be prompted whenever deviations are expected to occur if they want to make a change. This information can be recorded, and, using technologies such as inventory management and real time supply chains, can be used by consumer councils and federations to coordinate changes. Some changes will cancel out across federations whereas other adjustments may require discussion with industry federations of worker councils.

Summary

Participatory Planning is a social process whereby workers and consumers, through their councils and federations, co-operatively arrive at a plan for an economy that is fair and efficient, whilst adjustments are made during the year. It is a very different way of distributing goods and services compared to competition based market economies and centrally planned command economies.

We have outlined participatory planning, but many more questions arise that are not answered in this short presentation and we encourage readers to explore further material under 'more' including aspects such as international trade, ecology, innovation, as well as the 'links' page where readers can find links to videos, audio, articles and books providing more in-depth information. Readers interested in more technical presentations of participatory planning are recommended to see The Political Economy of Participatory Economics, Princeton University Press, 1991.

MORE

In this section readers will find articles that go into more depth about the participatory economics model. They cover different aspects and issues regarding how this economic system interacts with the wider society. There are also frequently asked questions and a glossary of terms. New articles will be added here every once in a while. Readers are also encouraged to view the links page where they can find links to many more resources.

In this section:

INNOVATION

Do individuals in a participatory economy have an incentive to search for innovations, and do workers councils have an incentive to implement productive innovations once they're found?

A participatory economy does not reward those who discover productive innovations with vastly greater consumption rights than others that make comparable personal sacrifices or effort in their work. Instead a participatory economy emphases direct social recognition of outstanding achievements. This is for a number of reasons. First, successful innovation is almost always the result of cumulative human creativity and not a single person's endeavours. Also, an individual's contribution is often the result of genius and/or luck as much as personal sacrifice, all of which implies that recognizing innovation through social esteem instead of material reward is more ethical. Second, social incentives will not necessarily prove less powerful than material ones. No economy ever has paid innovators

the full social value of their innovations because if it did, there would be little left for those who apply them over long periods of time. This means if material compensation was the only reward, innovation would be under stimulated in any case. Material reward is often merely an imperfect substitute for something else that is truly desired — social esteem. Actual policy in a participatory economy would ultimately be settled democratically in light of results.

However, there are material incentives to implement socially useful innovations in a participatory economy. Any change that increases the social benefits of the outputs that workers produce, or reduces the social costs of the inputs they use will increase the workers council's social benefit to social cost ratio. This makes it easier for the council to get its proposals accepted in the participatory planning process, can allow workers to reduce their effort, can permit them to improve the quality of their work life, or can raise the average effort rating (i.e income) the council can award its members. But just as in capitalism, adjustments will make any advantage temporary. As the innovation spreads to other enterprises, and as indicative prices change, the full social benefits of their innovation will be both realized and spread to all workers and consumers.

The faster the adjustments are made, the more efficient and equitable the outcome. On the other hand, the more rapid the adjustments, the less the "material incentive" to innovate and the greater the incentive to "ride for free" on the innovations of others. A participatory economy is better equipped to manage this tradeoff compared to a capitalistic economy. Most importantly, in a participatory economy "service to society" is recognised directly and is therefore a stronger incentive to innovation. This means that more innovation will occur in a participatory economy than in capitalism for the same speed of adjustments. Secondly, research and development (R&D) is largely a public good which usually is undersupplied in a market economy, whereas a participatory economy allocates resources to the production of public goods just as easily as to the production of private goods. Finally, in capitalism the only mechanism for providing incentives for innovation is to slow down their spread, at the expense of efficiency. This is done by making the transaction costs of registering patents and negotiating licenses from patent holders very high. While it is recommended only as a last resort, the transaction costs of granting extra consumption rights for a limited period of time would be negligible in a participatory economy.

PROTECTING THE ECOLOGY

Do the basic institutions of a participatory economy – democratic worker and consumer councils and federations, remuneration according to effort and need, jobs balanced for empowerment and desirability, and participatory planning – create an institutional setting and incentives that promote judicious relations with our natural environment? As long as producers and consumers are not forced to bear the costs of the pollution that results from their decisions, they will continue to pollute too much. How does a participatory economy solve this?

In each iteration in the annual planning procedure the Iteration facilitation Board (IFB)

quotes the current estimate of the damage caused by releasing a unit of each pollutant. Enterprises proposing to emit the pollutant and the community of parties affected by the release of this pollutant respond to this signal. Since consumers affected by a pollutant will not always correspond to consumers living within the boundaries of a geographical consumer council or federation, a participatory economy will presumably create "communities of affected parties" for specific pollutants regardless of which geographical consumer council people belong to (CAP= Community of affected parties regardless of geographical boundaries). Enterprises propose how much of the pollutant they want to emit, knowing they will be charged for those emissions an amount equal to the current estimate of the damages per unit times the number of units they propose to emit. The damage from emissions thereby becomes part of production costs. The community of affected parties (CAP) proposes how many units of the pollutant it is willing to allow to be released, taking into account that the CAP will be compensated by an amount equal to the current estimate of the damages per unit times the total number of units the CAP allows to be released. The CAP can, of course, decide they do not wish to permit any emissions at all, but if the CAP decides to allow X units of a pollutant to be emitted, members of the CAP will receive "credit" for damages suffered for the level of emissions they authorize. This "sacrifice" from exposure to pollution is added to whatever "sacrifices" CAP members made as workers when calculating how much consumption it is fair for them to enjoy. The IFB will change the estimated damage caused by the pollutant in response to the difference between the proposals from the CAPs to allow the pollutant, and the workers councils' proposals to emit the pollutant. What is a pollutant and what is not is decided by the CAP, who is advised by scientists employed in R&D operations run by the CAP. There are good reasons to believe that unlike market economies which predictably lead to over pollution, this procedure will settle on efficient levels of emissions, i.e. emissions will only be permitted if the social benefits from the increased production the emissions allow exceed the damages the emissions cause.

In a participatory economy there is a strong incentive to apply for membership in a CAP since victims receive compensation. This means that there is a perverse incentive to falsely claim damage, and therefore membership. There is no easy solution to this problem and it becomes clear that procedures for establishing membership are crucial, and this is where time and resources should be spent.

On the production side, however, it is no longer possible to externalise costs of pollution, as is the case in a market economy. Therefore, it is fair to expect that a participatory economy will allocate more resources than a capitalist market economy to research that aims to reduce pollution. Furthermore, it is also fair to expect that people in a participatory economy will value leisure time more than in a capitalist market economy since there is no inherent growth imperative in a participatory economy that needs to be fulfilled.

The procedure in the annual planning process protects the environment only if present residents in the CAPs are the only ones who suffer negative consequences. Often the negative effects of pollution today persist over long periods of time and affects future generations as well as the present generation. The interests of future generations must be handled in the long-run planning procedure by means of restraints that the present generation places on

itself in democratic deliberations concerning long-run plans. Major changes in the energy, transportation, and housing sectors, as well as conversions from polluting to "green" technologies and products are all determined by the long-run planning process.

In the end, there is no way to guarantee that members of the present generations will consider the interests of future generations or choose wisely for them. And this is true for any economic system. We can only hope that people living in a society based on values such as economic democracy and justice, solidarity, diversity will be inclined to do so.

INTERNATIONAL TRADE

When there are significant differences in true opportunity costs of producing different goods and services between regions, there are also potential efficiency gains from participating in specialisation and trade, even though the advantages sometimes are overestimated. How will separate regional units – different participatory economies – organise trade between themselves? In a situation where participatory economics is fully implemented worldwide the terms of trade will not be decided by commercial principles or bargaining power as today, but instead be negotiated and decided in ways that are in accordance with the guiding values of the participatory economics model; economic justice and self-management, solidarity, diversity, efficiency and long term sustainability. Of course, long before participatory economics is fully implemented worldwide, it will be beneficial for a single participatory economy to engage in trade with its surrounding capitalistic economies. So, how will trade be handled in this situation? Is it possible for a country practicing participatory economics to function in and benefit from a global economy that is still largely capitalist without betraying its core principles?

In a situation where two equally developed participatory economies trade with each other, any efficiency gain should be shared as equally as possible between the trading partners. If a participatory economy is trading with a wealthier economy, its principles of justice do not prevent it from aiming for the best bargain it can attain. A moral problem only appears when a participatory economy trades with a poorer economy. In this case, a participatory economy should agree to terms of trade that give the poorer trading partner more than half of the efficiency gain. If efficiency gains from international economic interaction are shared in accordance to this "greater than 50 percent rule" the benefits will be shared in a way that reduces the gap between wealthier and poorer trading partners.

Citizens of poorer countries receive less economic reward for their efforts, on average, than citizens of wealthier economies. By using the "greater than 50 percent rule" when trading, a participatory economy acknowledges that justice means that equal effort or sacrifice should be equally rewarded. Note that the principle of economic justice in a participatory economy requires effective measures to eliminate differences in the reward people receive for equal sacrifices, regardless of how they arose. A participatory economy cannot argue that since citizens of poorer capitalist economies are not committed to the same principle of economic justice, the citizens of a participatory economy are not obliged to

applying the principle to them. The point is that participatory economics principles preclude a participatory economy from interacting with other economies on terms they themselves believe to be unfair.

The road to complete international justice will presumably be slow, but if one accepts that international economic justice cannot be built in a day, a greater than 50 percent rule can be expanded to 60 percent, 70 percent and so on through democratic deliberation between international economic partners, and may not seem so unsatisfactory.

SECOND HAND GOODS

The procedure for allocating resources, goods and services in a participatory economy– the participatory planning procedure – does not deal explicitly with the exchange of already produced goods, so called second-hand goods. Second hand goods in this context can be defined as goods that already have been asked for, produced and delivered in accordance with earlier years' plans, which have a value that exceeds a certain sum, and a remaining economic lifespan that exceeds a certain number of years. Examples of such durable goods are cars, washing machines, cameras, stereos etc.

Of course, there are many different reasons why an efficient use of already produced goods, including a flexible and efficient routine for trading used goods, is desirable in any economy. One of the more obvious reasons has to do with the effects on the environment of the production of goods. A participatory economy is an economy where citizens have the opportunity to express their preferences for a clean environment in the planning procedure and one where they can insist on compensation from producers which in the production process release substances that affect the environment negatively. It is reasonable to assume that such an economy also will strive for an efficient utilization of all goods that already have been produced during their whole economic lifespan. For example, this might mean that different consumer federations experiment with and support new types of collective living arrangements in order to maximize the utilization of durable goods, or that some neighbourhoods set up different types of community resource parks where certain durable goods are gathered and made available for use by everybody in the neighbourhood etc. But it also means that the society for this and other reasons presumably will implement smooth routines for consumers to transfer previously obtained goods between themselves, and to do this in a way that is compatible with self-management and economic justice and the other values that together make up the foundation on which the participatory economic model is based. It is important to note the risk of markets re-emerging with detrimental consequences when thinking about how to organize trade of second hand goods. Re-emerging markets and/or rival currencies in a participatory economy could, if they grew big enough, jeopardize every other participatory institution since the inherent logic of markets will in time lead to inequitable differences in income and wealth even if they initially are confined to trade with second hand goods.

Since second hand goods are goods that already have been produced and delivered to

a customer in accordance to accepted plans for previous years, trade with these goods is primarily an internal question for the national consumer federation and can be organised outside of the annual planning procedure. The producers/workers councils will obviously be indirectly affected by this trade since the demand for newly produced versions of the goods will be affected by a smooth and well-functioning trade with used goods, but this is an indirect effect. There are a number of alternative ways for the national consumer federation to organise trade of used goods which would be compatible with participatory economics values. What follows is one possibity.

The formal organisation of trade with second hand goods between present and future users is ultimately a task for the national consumer federation (NCF). Some people turn in used goods and receive consumption rights in return, while others get used consumption goods delivered and pay with consumption credits through their neighbourhood consumption councils. The distribution of used goods between buyers and sellers living in different geographical areas is organised through the system of consumer federations, which means that in the end the NCF controls this trade. Naturally, the second hand stores where people turn in their used goods for consumption credits will have a responsibility to inspect items that are handed in so that they are functional and meet a certain standard. Only approved items would qualify the seller to receive consumption credits, and credit would depend on the condition of any item.

In other words, the NCF acts both as demander and supplier of used goods.In order to give people a way to assess whether they want to trade in or buy used goods the NCF would announce provisional amortization schedules for available goods which give people an idea of the credits they can expect to receive when selling and expend when buying different goods. These provisional amortization schedules are adjusted before the start of every planning year in light of excess demands or supplies. During the year the NCF would guarantee the provisional prices to both buyers and sellers until the next adjustment, which presumably will result in a gain or loss from trade in used goods for the NCF which is a gain or loss for all consumers nationally. Alternatively, the NCF could adjust the provisional prices continuously during the year in order to bring demand to equal supply for each category of durable good. This would eliminate losses and gains for the NCF but it would require an ex post adjustment in credits and debits to the individual sellers and buyers of used goods.

If people want to set up private exchanges for used goods outside the formal trade mechanisms described above there is nothing stopping them. But these exchanges would have to be some kind of barter or based on a new, rival currency which would not be viable to use in the formal yearly planning procedure for the purchase of newly produced goods and services. The equivalent to flea markets or yard sales with trade of goods with a marginal value could presumably be arranged in this way. There should be little risk of these private systems growing out of hand as long as the “official” system managed by the NCF functioned well.

One category of used goods that differ from ordinary durable goods are collectables,

items that have a value for collectors, which in many cases in our present economy often increase considerably over time. It can be all sorts of things from stamps, old furniture, and other types of antiques etc. In a participatory economy people will not be able to (or need to) "invest" in collectables to support themselves and since the income distribution will be a lot more equal prices of collectables will most likely be much lower than today. But it is quite reasonable to assume that some people in a participatory economy will still enjoy collecting different objects. Collectables could be classified based on the degree to which they are deemed to have a collective value for the society. Certain goods may have only a limited collective value to society but a high value to a group of collectors, while other goods have a high value to both collectors and the society, and maybe therefore belong in a museum where everybody can enjoy them. . If society wants to enable a limited type of "trade" with collectables, the NCF would have to assume an active role. It would have to decide what items belong in a museum due to the collective value to society, and therefore would be excluded from trade. The NCF would have to be responsible for setting the repurchase price to prevent individuals from profiting in ways that are unfair. If higher prices were necessary to equate supply with demand windfall gains would accrue to the NCF and therefore all consumers. And finally, since inheritance is not compatible with economic justice and therefore is not part of a participatory economy, any collectable that commands a substantial price, as distinct from collectables of personal value only, will revert to society at the time of a collector's death. Relatives could be offered a first right of refusal to take possession by paying the same amount the NCF will charge anyone else if relatives decline.

ECONOMIC BASICS

This primer is intended to provide the reader with a basic understanding of what an economy is and the key features of different economic systems to provide a foundation for thinking about economic vision.

Society

Human beings are a social species. Throughout history people have created social institutions in order to help meet their needs and desires. In addition to creating economic institutions to meet material needs and desires, people have organised community institutions for addressing our cultural and spiritual needs, gender or kinship systems for satisfying our sexual needs, family relations and organising our parental functions, and political systems for mediating conflicts and creating laws.

Institutions are important in society in helping us to meet our needs, and the way we arrange them will determine what choices and roles are available to us and how the benefits and burdens are distributed to people in a society.

Although this website presents a model for a new economic system, it is important to note

that the economy forms only one aspect of society, and that privileged and disadvantaged groups and hierarchies can emerge from any area of social activity whenever the burdens and benefits of social cooperation are not distributed equitably.

What is an economy?

An economy is simply a system for organising the production, distribution and consumption of goods and services. This involves work being carried out by workers in offices, factories, farms, etc, to produce goods and services that are distributed to others to consume. Different ways of arranging these functions will result in different outcomes regarding the distribution of rewards and responsibilities, the balance of work versus leisure, the quality of our work lives, and so on.

Any economy needs to address a few basic questions regarding how it organises production, consumption and distribution:

Ownership

Who has control over the land, natural resources, equipment, tools and buildings which are used to produce goods and services? This is often referred to as 'the means of production' or 'productive property'. This only includes assets used in the economy, not people's personal possessions. Productive property can either be owned by private individuals, by the state, or "collectively," i.e. by everyone.

Division of tasks

How are tasks divided and who will do them? Tasks are grouped together and assigned to workers as jobs. Tasks vary in their desirability, quality of life circumstances and empowerment effects on the person carrying out the work. Tasks can be grouped together in a hierarchical fashion or balanced to provide everyone with access to empowering and fulfilling work while sharing less desirable tasks fairly.

Decision making

Who makes decisions in the workplace, in communities, and how are decisions made? Decisions can be made by an authority by a top down hierarchy; by negotiations by buyers and sellers who disenfranchise all external parties; or, in a truly democratic way where all have decision making input in proportion to how much they are affected.

Compensation

On what basis should people be compensated for what they do? The total social product

of goods and services is divided up for people to use as consumption rights in the form of income. How the social product is divided up can be based on the value of what each person's productive property produces, by how much value each person themselves produce, by the personal sacrifice or effort a person chooses to make, or by what meets each person's special needs.

Allocation

How will productive resources be allocated to workplaces to use and how will goods and services be distributed to consumers? Different systems for allocating resources and final goods include: markets (competitive bidding between buyers and sellers), central planning (a planning board decides on a comprehensive plan for the entire economy), democratic planning (consumers and workers democratically negotiate a comprehensive plan).

Institutions and Values

A social institution can be defined as a set of roles and responsibilities which establish expected patterns of behaviour. For example, in a workplace, the institution is not the physical building or the equipment used; the institution consists of the roles of the workers, managers, stockholders, etc. and the relationships between them.

Before creating institutions to carry out economic functions, it is important to think about what values we want to achieve regarding economic outcomes. The values can be considered as the moral principles which underpin our economy or the goals that we want to reach. We can use the values for evaluating any economic system. The key values proposed for a desirable economy are:

- **Self-Management** – decision making say in proportion to the degree one is affected
- **Justice** – reward for effort or personal sacrifice
- **Solidarity** – concern for the well-being of others
- **Diversity** – the flourishing of a variety of lifestyles and outcomes
- **Efficiency** – meeting our goals by not wasting our limited time and resources
- **Sustainability** – protecting and nurturing our natural environment

It is important to be specific and clear about what we mean by our goals or values in order to avoid unnecessary disagreements or ambiguity, and to help us determine what institutions we will best fulfil them. You can read more on the values page.

Economic Systems

The three main economic systems we will compare below are capitalism, centrally planned socialism, and participatory economics. Provided is a brief description of each with a table of comparisons to help the reader gain a 'bigger picture'.

Capitalism

Capitalism is a system where what goods and services are produced, how they are produced, and who gets to consume them is determined by market exchanges where private individuals own productive property. Within a workplace a small group of people do the empowering and relatively pleasant tasks, while all the dangerous, tiring and boring tasks are done by everyone else. The same people who monopolise the empowering tasks have more decision making power, giving orders to those below them in the organisational hierarchy. Peoples' incomes are based on whether they own property or not, how much their labor contributes toward output, and how much bargaining power they have in negotiating their wage.

FEATURE	CAPITALISM
Ownership of Productive Property	Private
Division of tasks	Hierarchical
Decision making	Authoritarian
Compensation	Ownership, contribution to output, and power
Allocation	Markets

Centrally planned socialism

Centrally planned socialism is a system where technocrats in a central planning board gather information regarding production possibilities from workplaces and information about consumers' demand for different goods and services. They then calculate an economic plan that ideally would maximize consumer satisfaction given the resource and technological constraints the economy faces. Ownership of the natural, labour and human capital is under the control of this central planning board, which is, in turn, part of the state. Internally workplaces are organised much like a capitalist corporation with a few people at the top monopolising the empowering

jobs and better working conditions. Subordinates do the disempowering, dangerous, and unpleasant work. Just as the central planning board orders plant managers what to produce and how to produce it, plant managers tell workers what to do, leaving workers with little or no decision making opportunities. In theory workers in centrally planned economies could be rewarded in any number of different ways. However, in practice all centrally planned economies during the twentieth century gravitated toward compensation based on contribution toward output, and those in the managerial and central planning bureaucracies rewarded themselves particularly well.

FEATURE	CENTRALLY PLANNED SOCIALISM
Ownership of Productive Property	State
Division of tasks	Hierarchical
Decision making	Authoritarian
Compensation	Contribution toward output and privilege
Allocation	Central planning

Participatory Economics

In Participatory economics there are workers and consumer councils where participants have decision making say in proportion to how much they are affected. Productive capital and resources are owned by everyone in society with everyone having an equal stake and say in how capital and resources are used. Worker and consumer councils and federations make, revise, and approve self-activity proposals for the following year through a democratic planning procedure designed to yield a plan that is efficient, fair, and environmentally sustainable. Work is shared out as balanced jobs where workers specialise while sharing work that no one wants to do. Workers are compensated according to their effort or personal sacrifice, as determined by their co-workers; the harder or longer a person works the more compensation they receive and vice versa. Compensation is also awarded to those with special needs as well as those who cannot work for a variety of reasons.

FEATURE	PARTICIPATORY ECONOMICS
Ownership of Productive Property	Social
Division of tasks	Balanced Jobs
Decision making	Self-Management
Compensation	Effort and Sacrafice
Allocation	Democratic Participatory Planning

Comparison Table of systems and institutions

The table below shows the institutions of each economy together for quick comparison.

FEATURE	CAPITALISM	CENTRALLY PLANNED SOCIALISM	PARTICIPATORY ECONOMICS
Ownership of Productive Property	Private	State	Social
Division of tasks	Hierarchical	Hierarchical	Balanced Jobs
Decision making	Authoritarian	Authoritarian	Self-Management
Compensation	Ownership, contribution to output, and power	Contribution toward output and privilege	Effort and Sacrafice
Allocation	Markets	Central planning	Democratic Participatory Planning

It is hoped that readers have gained some knowledge to help them evaluate the differences between economic systems and in thinking about economic vision. If you have come from the introduction page, please return to the introduction to continue reading on and exploring the key values and institutions of a participatory economy in greater detail.

FAQS

Below are brief answers to some of the most common questions about Participatory Economics. You can also find more articles that go further in-depth about the model on the links page.

Is Participatory Economics a blue print?

No, Participatory economics is offered as a flexible and non-dogmatic vision to inform efforts and experiments towards winning a better economy. It is certainly not meant as a blueprint. It lists a number of goals or values that an economy should aim for, and a minimal set of institutions that are essential for the economy's' ability to achieve those goals. It emphasises that in different places and times, and even in different industries and communities, the implementation of the central features and institutions will involve different detailed patterns. Such details are a matter for future generations, depending on people's preferences and lessons learned between now and the future. Just like any other model, participatory economics is testable, refutable and revisable. This means it should be evaluated based on whether it achieves its goals, experimented with and refined.

Isn't there more to life than Economics?

Yes, human social life is more than just about economics. Human beings are a social species and throughout history people have created social institutions in order to help meet their needs and desires. To be stable and effective a society must accomplish several functions. In addition to creating economic institutions to meet material needs and desires, people have organised community institutions for addressing our cultural and spiritual needs, gender or kinship systems for satisfying our sexual needs, family relations and organising our parental functions, and political systems for mediating conflicts and creating laws.

It is important to note that the economy forms only one aspect of society, and that privileged and disadvantaged groups and hierarchies can emerge from any area of social activity whenever the burdens and benefits of social cooperation are not distributed equitably.

What about human nature?

The participatory economy model is based on the assumption that people are homo economicus, i.e. that they act out of self-interest. It most certainly does not assume that individuals are "revolutionary saints" who act to promote the social interest (i.e. social efficiency and equity), and then tautologically proclaim that the social interest would, indeed, be served!

In brief, the principle mechanism that compels worker councils pursuing their own self-

interest to behave in a socially responsible way is that these councils must demonstrate to other worker and consumer councils that their proposals generate an acceptable excess of social benefits over social costs. For their part, consumer councils must demonstrate that the social cost of the goods they request is consistent with the average work effort ratings of their members. The principle mechanism that compels individually responsible behaviour are effort ratings by one's work mates and consumption allocations based on effort ratings. The logic is to organise the economy in a way that ensures that the behaviour of homo economicus will be indistinguishable from the behaviour of homo socialis, or put differently, to reward socially responsible behaviour and discourage socially irresponsible behaviour.

While the model assumes that people are homo economicus and is based on institutions that lead people to behave in socially responsible ways out of self-interest, it is not so farfetched to hope that many years of practicing social responsibility, and observing that others have practiced social responsibility as well, will move people closer to homo socialis in their economic relations. There is plenty of evidence that people do behave as homo socialis today — toward family members, friends, and various communities where members feel solidarity for one another. So this is not behaviour foreign to the human species when we have good reason to trust rather mistrust each other.

Is personal freedom sacrificed in a participatory economy?

Participatory economics is designed to allow people to control their own economic lives in a context of equitable cooperation with others. Freedom of choice of consumption, employment, career, and residence, as well as personal privacy are fully guaranteed in a participatory economy.

People in a participatory economy are free to consume whatever goods and services they wish, and consumer preferences determine what will be produced. Of course an individual's overall consumption is constrained in a participatory economy, by her effort or sacrifice, just as an individual's overall consumption is constrained in a market economy, by her income. People in a participatory economy are also free to choose more consumption and less leisure, or vice versa, by working more or fewer hours, and are free to distribute their effort and consumption over their lives as they wish.

Some people worry that neighbours' opinions will prove intrusive but neighbours can only offer suggestions. They are not permitted to reject consumption requests on grounds of content — only if social cost exceeds effort. And if anyone does not wish to hear her neighbours' opinions, she can submit an anonymous consumption request to a consumption council composed of anonymous members who are not her neighbours.

People in a participatory economy are free to apply to work wherever they want, free to bid on any job at their work place they want, free to organise a new enterprise to produce whatever they want, by any means they want, in cooperation with whomever else they want. Of course, workers councils are also free to hire whomever they want from those who apply; fellow qualified workers are also free to bid on any job they want; and new workers councils

must be certified by their industry federation as “competent” to deliver what they promise in the planning procedure.

Students are free to apply to any educational institution and degree program they want, and if accepted, pay no tuition and receive a living stipend appropriate to their age and needs. Workers are free to bid on any training program offered outside or inside their workplace all of which are free of charge.

People are free to live wherever they choose. Neighbourhoods will probably be more important to people in a participatory economy because the neighbourhood consumption council is an important institution where preferences regarding individual and collective consumption are expressed and debated.

In a participatory economy only people affected by decisions have influence over those decisions, and only to the degree they are affected. Those who enjoy disproportionate power in market systems are used to being “free” from the opinions and influence of others, and will object to a system that would no longer permit them to be so. Socialists of all varieties once believed that I should not be free to employ you because my freedom of enterprise, or property right, robs you of a more fundamental human right to manage your own labouring capacities. Most socialists and some liberals once believed I should not be free to bequeath substantial inheritance to my children because that robs the children of less wealthy parents of their more fundamental right to an equal economic opportunity in life. We can thus formulate a general principle: Restrictions on the right of some individuals are justified when they are necessary to protect more fundamental rights of others, and since such restrictions do not reduce, but increase individual freedom, they are fully consistent with libertarian values.

In sum, people in a participatory economy are free to do what they want. But this does not mean they are free to exploit others. That is why the freedom to pursue education and employment according to one’s preferences is protected in a participatory economy, but the freedom to exploit morally arbitrary advantages in human capital by consuming more than others who made equal sacrifices is not. Advocates of participatory economics think everyone should have opportunity to participate in making economic decisions in proportion to the degree they are affected by those decisions. We think self-management, in this sense, is a fundamental right of people who engage in economic cooperation with others. So when people are free to do what they want, this does not mean they should be free to infringe on the self-management rights of others.

Won’t there be too many meetings?

It is important to first note that meeting time is far from zero in our existing economies. In a participatory economy there will be meeting time in workers’ councils, consumers’ councils, federations, and participatory planning.

Conception, coordination, and decision-making are part of the organisation of production under any system. Under hierarchical organisations of production relatively few employees spend most of their time thinking and meeting, and most of the rest of the employees

simply do as they're told (or try not to do as they are told). So it is true, most people would spend more time in workplace meetings in a participatory economy than in a hierarchical economy. This is because most people are excluded from workplace decision-making under capitalism and authoritarian planning. It does not necessarily mean the total amount of time spent on thinking and meeting rather than on working would be greater in a participatory workplace. It is important to remember that in a participatory economy decisions are taken at appropriate levels of organisation. The whole workplace doesn't meet to decide everything. Rather some things are decided widely, others more narrowly. And while it might be that democratic decision-making requires somewhat more overall meeting time than autocratic decision-making, it should also be the case that a lot less time is required to enforce democratic decisions than autocratic ones. In addition, decisions made through democratic procedures are more likely to have better outcomes and are less likely to have to be changed in the future. Also, workplace meeting time is part of the normal workday in a participatory economy, not an incursion on people's leisure.

Decisions regarding the organisation of consumption in a participatory economy will demand more social interaction than in market economies. One of the great failures of market systems is that they do not provide a suitable vehicle through which people can express and coordinate their consumption desires to everyone's greater good. A layered network of consumer federations will resolve the alienation in public choice and the isolated expression of individual choice that characterise market systems. Presently economic and political elites dominate local, state, and national public choice. For the most part they operate free from restraint by the majority, with periodic time-consuming campaigns mounted by popular organisations to rectify matters that get grossly out of hand. In a participatory economy people would vote directly on collective consumption issues. But this would not require a great deal of time or mean attending endless meetings. Expert testimony and differing opinions would be aired through democratic media. People would become empowered through participation, and meetings would have concrete outcomes so most people would want to participate. But people would be free to pay as much or as little attention as they wished.

The participatory planning process is not the usual form of democratic planning in which people or their elected representatives, meet face-to-face to endlessly discuss and negotiate how to coordinate all their activities. Instead it is a procedure in which individuals and councils submit proposals for their own activities, receive new information including new indicative prices, and submit revised proposals until they reach a point of agreement. After a number of iterations when the major contours of the overall plan appears, the staffs of iteration facilitation boards would (mechanically) define a few feasible plans within those contours for constituents to vote on without having to meet and debate these at all.

However, informed, democratic decision-making is different from autocratic decision-making. And conscious, equitable coordination of the social division of labor is different from the impersonal law of supply and demand. And this requires, almost by definition, increases in meaningful social interaction.

Do individuals have an incentive to search for innovations, and do workers councils have an incentive to implement productive ones once they're found?

A participatory economy does not reward those who succeed in discovering productive innovations with vastly greater consumption rights than others who make equivalent personal sacrifices in work. Instead it emphasises direct social recognition of outstanding achievements for a variety of reasons. First, successful innovation is often the outcome of cumulative human creativity for which a single individual is rarely responsible. Furthermore, an individual's contribution is often the product of genius and luck as much as personal sacrifice, all of which implies that recognising innovation through social esteem rather than material reward is superior on ethical grounds. Second, social incentives may very well be as powerful as material ones. No economy has ever paid, or could pay innovators the full social value of their innovations. If it did, there would be little left to pay those who apply them over long periods of time. This means if material compensation is the only reward, innovation will be under stimulated in any case. Moreover, often material reward is merely an imperfect substitute for what is truly desired — social esteem.

Sometimes it is presumed that innovating capitalist enterprises capture the full benefits of their successes, while it is also assumed that innovations spread instantaneously to all enterprises in an industry. When made explicit it is obvious these assumptions are contradictory. Yet only if both assumptions hold can one conclude that capitalism provides maximum material stimulus to innovation and achieves technological efficiency throughout the economy. In reality innovative capitalist enterprises temporarily capture "super profits" which are competed away more or less rapidly depending on a host of circumstances including patent laws and the efficacy of enforcement of intellectual property rights. Which means that in reality there is a trade-off in capitalist economies between stimulus to innovation and the rapid spread of innovations. In market economies, much of research and development is deemed too risky and long-term for private enterprises, and research and innovation is largely funded by governments instead. Therefore the risks are socialised by taxpayers while the benefits are realised by private corporations. For example, the internet, lasers, computers and many more technologies were developed through the dynamic state sector.

In a participatory economy workers do have a material incentive to implement socially useful innovations. Any change that increases the social benefits of the outputs they produce, or reduces the social costs of the inputs they use will increase the workers council's social benefit to social cost ratio. This makes it easier for the council to get its proposals accepted in the participatory planning process, can allow workers to reduce their effort, can permit them to improve the quality of their work life, or can raise the average effort rating the council can award its members. As in capitalism, adjustments will render any advantage they achieve temporary. As the innovation spreads to other enterprises and as indicative prices change, the full social benefits of their innovation will be both realised and spread to all workers and consumers.

The faster the adjustments are made, the more efficient and equitable the outcome.

On the other hand, the more rapid the adjustments, the less the "material incentive" to innovate and the greater the incentive to "ride for free" on the innovations of others. But a participatory economy enjoys advantages in managing this trade off compared to capitalism. Most importantly, direct recognition of "social serviceability" is a more powerful incentive to innovation in a participatory economy, which reduces the magnitude of the trade off since more innovation will occur in a participatory economy than in capitalism for the same speed of adjustments. Secondly, a participatory economy is better suited to allocating resources efficiently to research and development because R&D is largely a public good which is predictably under supplied in market economies but would not be in a participatory economy. Third, the only effective mechanism for providing material incentives for innovating enterprises in capitalism is to slow their spread, at the expense of efficiency. This is true because the transaction costs of registering patents and negotiating licenses from patent holders are very high. There are no inappropriate obstacles in a participatory economy to introduce temporary additional material incentives should its members decide they are warranted. For example, the transaction costs of granting extra consumption allowances for a period of time would be negligible in a participatory economy.

What are the incentives to work?

A participatory economy is designed to maximise the motivating potential of non-material incentives. There is reason to hope jobs designed by workers will be more enjoyable than jobs designed by capitalists. Also, there is reason to believe people will be more willing to carry out tasks they have proposed and agreed to themselves than assignments handed to them by superiors. And finally, there is reason to believe people will be more willing to perform unpleasant duties conscientiously when they know the distribution of those duties as well as the rewards for people's efforts are equitable.

But this does not mean that there are no material incentives in a participatory economy. People's efforts will be rated by their peers who have every interest in seeing that their work mates work up to their potentials. And people's effort ratings in work directly affect their consumption rights. However, differences in peoples' efforts will certainly not lead to the extreme income differentials characteristic of market economies today.

To assume that only conspicuous consumption can motivate people because under capitalism we have strained to make this so is unwarranted. There is plenty of evidence that people can be moved to great sacrifices for reasons other than a desire for personal wealth. And there is good reason to believe that for non-pathological people, wealth is generally coveted only as a means of attaining other ends such as economic security, comfort, social esteem, respect, status, or power. If economic security is guaranteed, for everyone and for their children, there will be no need to accumulate out of fear for the future. If people participate in making decisions, they will carry out their responsibilities with less recourse to external motivation. If the distribution of burdens and benefits is fair, and seen to be fair, sense of social duty will be a more powerful incentive than it is today.

In sum, if a fair share of effort and personal sacrifice are demanded by work mates who must otherwise pick up the slack, if additional effort is appreciated by one's companions, recognised by society, and awarded commensurate increases in consumption opportunities, and if people planned and agreed to their tasks themselves, there is no reason to think that incentives will be lacking.

Since there will not be large differences in income in a participatory economy, will there be sufficient incentives for people to train themselves in the ways they can be most socially useful?

A participatory economy does not pay those with more education and training higher wages since it would be inequitable to do so. But that does not mean people would not seek to enhance their productivity. The cost of education and training would be born publicly, not privately. So there are no material disincentives to pursuing education and training. And since a participatory economy is not a society where people are judged by their belongings, but rather a society in which esteem and respect are based on "social serviceability," there are strong incentives to develop one's most socially useful potentials through education and training.

Anyone pursuing training in a participatory economy would receive income just like any other worker in the economy. If the training is deemed more onerous compared to the social average, a student receives more income accordingly, or vice versa.

Can rewarding effort instead of the value of contribution really be efficient?

Differences in the value of people's contributions are due to differences in talent, training, job placement, luck, and effort. If we include an effort component of training in our definition of effort, the only discretionary factor influencing performance is effort, and therefore the only factor we should reward to enhance performance is effort. By definition, neither talent nor luck can be induced by reward. Rewarding the occupant of a job for the contribution inherent in the job itself does not enhance performance. And provided that training is undertaken at public rather than private expense, no reward is required to induce people to seek training. 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.

Also, notice that it is one's work mates that are charged with the task of measuring effort and there is no incentive for one's work mates to reward "clumsy" or "bungling" effort rather than proficiency. One's fellow workers have every incentive to reward "effort to improve the success of efforts" since this would rebound to their advantage as well because all workers are collectively responsible for ensuring that the workplace fulfills its commitments they proposed during the planning process.

Will balanced jobs really be efficient? Won't they exclude specialization and waste scarce talents? And what about the need for experts?

Balanced jobs are not designed to avoid specialisation. They are designed to avoid disparate empowerment. It is not suggested that everyone perform every task which is impossible and undesirable in any case. Each person will still perform a very small number of tasks in her balanced job (BJ). Some will still specialise in brain surgery, others in electrical engineering, etc. But those who perform these specialised tasks if they are more empowering than average tasks will also perform less empowering tasks as well, and if they are more desirable than average, will also perform some less desirable tasks — unless they wish to work more hours or accept a lower effort rating. In any case, the tasks each performs do not have to be balanced for empowerment or desirability every day, week, or even every month. There is ample leeway in organising work to accommodate technological and psychological considerations while eliminating large, persistent differences in empowerment and desirability. A participatory economy is one that reaps the productivity awards of a very high degree of specialisation but without the undesirable effects of permanent hierarchies.

However, it is true not everyone has the talent to become a brain surgeon, and there are social costs to training brain surgeons. Therefore, there is an efficiency loss whenever a skilled brain surgeon does something other than perform brain surgery. But most people have some socially useful talent whose development entails some social costs. And an efficient economy would identify and develop everyone's most socially useful talent. If this were done, there would be an opportunity cost no matter who changed bed pans, and the efficiency loss from brain surgeons changing bed pans from time to time would be less than in today's economies where the talents of many go undeveloped. To give an example, if we think that nearly all doctors eighty years ago were men. This was not because women were not capable of becoming doctors, but because of structural barriers in a society with gender hierarchies. Today, the gender balance of doctors is more or less even. This implies that there are many more people in society who have the capability to perform specialised tasks but who do not have the same opportunities to do so, due to structural barriers in today's society, which could be based on class, gender, race or other factors.

Moreover, countless studies confirm that participation increases worker productivity. If BJs enhance effective participation as they are intended to do, whatever efficiency loss they entail should be weighed against the productivity gain they bring.

The "expertise" argument against BJs fails to distinguish between the legitimate role of expertise and an unnecessary usurpation of decision making power. In circumstances where the consequences of decisions are complicated and not readily apparent, there is an obvious need for expertise. But economic choice entails both determining and evaluating consequences. Those with expertise in a matter may well predict the consequences of a decision more accurately than non-experts. But those affected know best whether they prefer one outcome to another. So, while efficiency requires an important role for experts in determining complicated consequences, efficiency also requires that those who will be affected determine which consequences they prefer. This means it is just as inefficient to

keep those affected by decisions from making them as it is to prevent experts from explaining consequences of complicated choices to those who will be affected. Self-managed decision making, defined as decision making input in proportion to the degree one is affected by the outcome, does not mean there is no role for experts. Instead it means confining experts to their proper role and keeping them from usurping a role that it is neither fair, democratic, nor efficient for them to assume.

In the end, we will have to wait and see through practice and experimentation what the results of balancing jobs will be, and the degree to which it can be done. We think that all who value economic justice and popular participation would hope for net efficiency gains, or at least minimal efficiency losses. Of course it would be up to the workers and consumers in a participatory economy to decide for themselves if job balancing was producing efficiency losses, and to what extent they wanted to slow their pursuit of equity and participation as a result.

Isn't it difficult or even impossible to measure effort?

It is usually assumed that it is easier to measure an individual's contribution to outcome that it is to measure an individual's effort, but correctly assigning responsibility for outcome in group endeavours is not easy. Even in sports teams, which presumably are more suited to such calibration than production teams such assignments are very difficult. For example, in football debates over an individual player's contribution, the relative importance of defending versus attacking, or the importance of "intangibles" and "team chemistry," testify to the difficulty of assigning individual responsibility for group outcomes.

And measuring effort is not always as difficult as is assumed. Every teacher who has taught and graded students for long knows there are two different ways to proceed. Teachers can compare students' performances to each other, or to how well they expected a student to do. Admitting the possibility of grading according to "improvement" is tantamount to recognising that teachers can, if they choose, measure effort. Given a student's level of preparation when she or he entered the class, given a student's natural ability, is this an A, B, or C effort, are not questions teachers find impossible to answer.

And remember who is judging worker effort in a participatory economy. Who is in a better position to know if someone is only giving the appearance of trying, or engages in "clumsy effort" than the people working with her on the same task? While teachers don't see students' preparation, workers do see work mates' work. It is not as easy to pull the wool over the eyes of one's work mates as of one's supervisors — or teachers.

Will people need to know what to consume one year ahead?

Consumers are not expected to know what they want to consume in detail one year ahead. However, if we want consumers to influence the annual plan we need input from consumers during the planning process. From year to year consumers' incomes change, and consumers'

desires change. Signaling producers about these changes is what these consumption requests are for and why it is quite useful for producers. Necessary details can be filled in from consumer profiles and actual purchases during the year, and adjustments can be negotiated with the aid of instantaneous inventory supply line prompts at the disposal of worker councils and federations. Just because consumption requests lack detail and people change their minds does not mean the planning process is pointless. If we want consumers to influence what is produced in the economy, and if we are going to decide what is produced in large part through a planning procedure, then we need consumers to provide their best guesses about what they will want. We don't need them to agonise over their proposals, and we certainly can accommodate them when they change their minds.

Putting numbers next to a list of "coarse categories" is not expected to be burdensome. But even if a person does not fill out and submit a consumption request form, their neighbourhood council can simply use their actual consumption last year as their new consumption request for this year. If their effort rating for this year warrants this level of consumption, their request will be approved and included in the neighbourhood proposal. If not, and if a person continues to fail to respond to requests for a new proposal, the neighbourhood council can reduce every item in their last year consumption by the same percent until the reduced request is covered by their lower effort rating this year. In this way neighbourhood consumption councils, who must submit neighbourhood proposals during the planning procedure, can do what they have to do even if some of their members fail to provide personal consumption proposals.

The important thing is that no matter what people choose to do individually there will be an initial consumption proposal for the entire neighborhood submitted by our consumer council, and there will be revised neighborhood consumption proposals submitted in every subsequent round as well. And that is all that matters as far as how the planning procedure "works." What will happen when someone discovers during the year that he wants a new pair of shoes he didn't order but don't need the electric razor he did order? He will order a pair of shoes that looks suitable online, or pick up a pair at a distribution centre or shopping mall run by a consumer federation, and be charged the indicative price for the item. He will not pick up an electric razor and therefore he will not be charged for one.

It's important also to be clear about how workers and consumers are credited and charged for what they do. The planning procedure "approves" the behavior agreed to in the plan—for both worker and consumer councils. Consumers, and consumer councils and federations are charged for what they actually consume during the year, not what was approved for them in the plan. Any differences are recorded as increases or decreases in the debt or savings of individual consumers, neighborhood councils, and consumer federations.

We need to distinguish between how to adjust to unforeseen changes as the year proceeds and how to formulate the annual production plan in the first place. These are two different issues in all planned economies. The unique participatory planning procedure has to do with how to formulate the plan in the first place. Beyond that, what has been said about the issue of making adjustments during the year is: (1) Imagine people swiping debit cards at cash

registers (or online), and being asked if they want to announce a change in their approved consumption plan when the pace of their actual consumption deviates by say 20% from what they ordered. (2) Remember that computerised inventory management systems linked to cash registers and "real time" supply changes are already features of the global economy. (3) Envision consumer federations as clearing houses for consumption just as regional Federal Reserve Banks clear checks for private banks operating in their region. (4) When changes in consumption among all consumers do not cancel then consumer federations will have to negotiate with industry federations for changes in production during the year.

Is there money in a Participatory Economy?

Money in a participatory economy is different than in a private enterprise market economy. A participatory economy will have money in the form of "accounting units" recorded on individual "credit cards" or accounts for the purpose of keeping track of consumption rights, loans, savings, social costs and alternative costs, but not in the form of cash that can be accumulated etc. by individuals. For instance, individuals will be earning consumption rights, or income, in the form of effort rating credits in their workplaces. The income will be above or below average if the individual is borrowing or lending, or works more or less than average. When an individual or unit proposes to consume some good, it spends "accounting credits" to get it. Every unit and individual can spend up to its income each year, each expenditure being deducted from its account.

Can I borrow and save in a Participatory Economy?

Yes, anyone can save by consuming less than her consumption allowance for the year, deferring the remainder for later use. Borrowing, however, raises the issue of credibility. As long as someone who wishes to consume more this year than her consumption allowance warrants can be trusted to pay society back by consuming less than her allowance warrants in the future, there is no problem. In these cases borrowing is as simple and straightforward as saving. But what if a person borrows year after year, and in amounts that cast doubt on her ability to pay society back? In a participatory economy, monitoring the credibility of personal loan requests is up to neighborhood consumption councils since they are also in charge of aggregating household consumption requests, reviewing special need requests, and handling adjustments to consumption requests throughout the year.

Are there classes in a Participatory Economy?

The goal of a participatory economy is to eliminate class division by removing economic differences that empower some actors and weaken others, that enrich some and impoverish others, or that pit some systematically against any others. The class-related innovations of a participatory economy are:

1. There is no private ownership of means of production. All actors have the same ownership relations to economic assets as all others.
2. There is no longer corporate organisational structure. In its place balanced jobs eliminate systematic differentiations bearing on power or income due to a division of labour. And these are fostered and nurtured by the allocation mechanisms, rather than subverted and replaced by hierarchies of command.
3. And finally, participatory economics establishes compensation for effort and sacrifice. While some people may exert more in their labours and others less, so that people have different incomes, there is no competition for income, no exploitation of some people by others, and there is a limit, in any case, on how much more effort anyone could possibly exert and therefore earn.

In a participatory economy there is no class of owners that occupies a level above others—no capitalists. There is no commanding managerial class above others —no coordinators. There is no obedient class beneath others—no working class. This is because there is no privately held capital, no monopolisation of empowering circumstances, and no group that occupies a position subordinate to others in the economy. In a participatory economics, there are only people who contribute to economic output and who by virtue of doing so have a just claim on it (or who physically cannot participate but have that claim by virtue of being human), who all have the same ownership condition in the economy, who all toil at balanced jobs and who all therefore are economic producers and consumers, without class differentiations.

Are there any examples of Participatory Economics in practice?

Historically, there have been features of a participatory economy implemented in many different parts of the world, including in South America and during the Spanish and Russian revolutions, where workers formed networks of self-managed councils and federations. In the world today, you can find elements of participatory economics in action, where people are engaging in participatory budgeting, and within the global co-operative movement consisting of many thousands of worker owned and controlled businesses. The participatory economics model seeks to extend the values of worker co-operatives to the whole economy, through linking them via a democratic planning procedure thereby advancing one of the key principles in the cooperative movement of ‘co-operation between co-operatives’.

How do we get from here to winning a Participatory Economy and society?

Winning a new economy will take time, but there are at least five areas in which people who want to see system change should want to see progress in the near future:

(1) Bigger and stronger reform movements in all spheres of social life. The goal has to be to create stronger support for social change in a majority of the population. Old reform movements like the labour, feminist, consumer and environmental movements need to be

revitalised. And new movements, led by a new generation of activists with new strategies and tactics, need to grow bigger and stronger.

(2) Experiments with more participatory and equitable cooperation, allowing more people to interact in a ways that "prefigures" the new society. Without clear evidence that participatory, equitable cooperation is not only possible, but works better than competition and greed, it will never be possible to convince people to support fundamental system change. We need to create more workers- and consumer owned cooperatives, we need to launch more campaigns for participatory budgeting where neighbourhood assemblies democratically decide what they want to spend their taxes on.

Initiatives to reform capitalism and initiatives to create experiments in equitable cooperation are both necessary strategies, but neither strategy will be successful on its own. Together they protect us from their respective pitfalls. Reforms on their own cannot achieve equal cooperation since any potential progress will be limited and exposed to a constant risk of defeat and to be rolled back as long as institutions such as private enterprise and markets are allowed to continue to reinforce antisocial behavior based on greed and fear. On the other hand, a one sided focus on the creation of alternative economic institutions within capitalistic economies will also not be successful since it will exclude a lot of people that will not be able to participate in the experiments, and because the market forces constantly will pressure non-capitalistic institutions to sacrifice cooperation in favour of commercial success. Involvement in reform campaigns helps to overcome the risk of isolation that is present in "prefigurative" projects. And a continuing work to increase the understanding of how equitable cooperation could work will help people engaged in reform work not to give up the thought of system change, and not to settle for a slightly improved version of a system based on competition and greed.

(3) Influencing "traditional politics" in order to create a more favorable environment for reforms and experiments in equal cooperation, but also to better reach out with our message to a wider audience. A large portion of the people that we need to mobilise show interest in politics mainly during election campaigns.

(4) Strategies to defend movement victories from anti-democratic forces. The ruling elite will not accept any democratic decisions, or hesitate to crush activist organisations or alternative experiments, if they believe that their ideology or privilege are threatened. The time when revolutionaries could take up arms and expect to win is over. The defense must therefore focus on organising massive resistance and civil disobedience since no elite, no matter how well armed, can decide over the people if they refuse to obey their orders.

(5) Finally, alternatives regarding how to make economic and other decisions in ways that are different than today, have to be presented in a more clear and concrete way. Last century's attempts to create alternatives to capitalism failed miserably, and people are justified to be skeptical and to demand that anyone who advocates system change is clear about how a new system will be different in organising economic decision making.

All these activities are necessary for success but everybody does not have to participate in

every activity, and the most successful mix of activities will be different in different times and places, and political groups with different ideologies will prioritise one activity over another. Since we need to make progress in all of these five areas there is no need to loose time on arguing which are the most important.

GLOSSARY

Please find below a glossary of key terms that are included in presentations of the Participatory Economics model.

Allocation system = A system to coordinate the interrelated activities of different workplaces and consumers, i.e. a procedure to decide who will produce what and where it will be used and consumed.

Balanced Job = A set of tasks that are combined together that have a comparable level of empowerment to others in the workplace.

Compensation based on effort = Income according to one's effort or personal sacrifice for performing socially useful labour as judged by fellow workmates. Effort can take different forms: longer working hours, at a higher intensity, or by performing more dangerous, unhealthy, less gratifying, or unpleasant work.

Consumer Council = The decision making body where "households" put in requests about what goods and services they wish to consume. Every individual, family, or living unit belongs to a neighbourhood consumer council.

Externality = The cost or benefit that affects third parties in a transaction beside the direct buyer and seller.

Federation = Councils composed of elected representatives from lower levels of councils, nested in several layers from the local level up to the national level. Representatives in federations are subjected to rotation, recall and instruction by lower level council members.

Indicative prices = Current estimates of the opportunity costs of natural resources, categories of labour, and capital stocks, the social costs of producing different goods and services, and the damage caused by different pollutants. These estimations signify estimates of what it costs society when we use different resources, emit different pollutants and produce different goods and services.

Iteration Facilitation Board (IFB) = A group of workers whose role it is to facilitate the flow of information during the planning process. IFB workers update prices (estimates of opportunity and social costs) of all inputs and outputs from round to round based on an

agreed set of rules designed to reach convergence of a coherent plan. The IFB do not have any discretionary powers.

Opportunity cost = The loss of potential gain from other alternatives when one alternative is chosen. The term is typically referred to when considering the cost of using productive assets and resources.

Participatory Planning = A decentralised process, whereby councils and federations of workers and consumers make and revise their own activity proposals, over a series of rounds, leading to the creation of a feasible, efficient and fair plan.

Pollutant = a substance or energy introduced into the environment that has undesired effects, or adversely affects the usefulness of a resource. A pollutant may cause long- or short-term damage by changing the growth rate of plant or animal species, or by interfering with human amenities, comfort and health.

Self-Management = A say in decision making in proportion to the degree one is affected by the outcome of a decision.

Social benefit to cost ratio = A ratio that is used to assess whether a workers council's production proposal is effective and beneficial to society, where the estimated social benefits of its outputs is compared to the estimated social costs of its inputs.

Social costs = The cost to society, including externalities, of an economic activity. The term is typically referred to when considering the cost of producing goods and services for consumption.

Worker Council = The decision making body in the workplace where each worker has an equal say about how the workplace is organised and run.

LINKS

Groups

Parecon Finland (www.osallisuustalous.fi)

Parecon Finland is an organization focused on bringing a new viewpoint on ecology, democracy and economy to Finland. They use the advanced concept and idea of participatory economics as a starting point for more in-depth discussion on different alternatives.

Parecon Sweden (www.parecon.se)

Parecon Sweden aims to win a society and an economic system that is based on participation, solidarity, equity and self management. Its short term objective is to increase knowledge about, interest in and support of the Participatory Economics model.

Participatory Economics UK (www.participatoryeconomics.org.uk)

An advocacy group for promoting and raising awareness of the Participatory Economics Model, as an alternative economic system, amongst the general public in the U.K.

Articles

Introductions

Occupy Vision: Parecon

Michael Albert introduces the values and institutions of Participatory Economics in chapter two of the book Occupy Vision.

Participatory Economics Intro

An accessibly written pamphlet introducing a “participatory economy” and the who, what, why of economic revolution written by Yotam Marom.

Why Participatory Economics?

Seven reasons to advocate parecon, by Michael Albert.

In Defense

In defense of Participatory Economics

An article that seeks to clarify misconceptions about the model and defends participatory economics against some common criticisms, by Robin Hahnel.

Planning

Anarchist Planning For Twenty-First Century Economies: A Proposal

A transcript of a talk presented by Robin Hahnel at the 100th anniversary of the founding of the CNT conference, describing how workers and consumers could best go about planning their own, interrelated economic activities themselves.

Anarchist Planning: An Interview with Robin Hahnel by Chris Spannos

Chris Spannos interviews Robin Hahnel coverning whether or not participatory planning can really solve several important economic problems.

In Depth

Participatory Economics and The Commons

What is the commons? What should the commons include? What responsibilities do we, the present generation, have as stewards to protect the commons for future generations? by Robin Hahnel

The case against Markets

An explanation of how Markets undermine our values, by Robin Hahnel.

Of the People, By the People Q&A

Stephen Shalom interviews Robin Hahnel on his new book, of the people, by the people

Other PE Sites

ZNet

Online parecon resource, including articles, debates, interviews, blogs, videos and more.

Books

Of the people, By the people – the case for a participatory economy

Robin Hahnel, 2012

Unless the economy is of the people and by the people it will never be for the people. This book is for people who want to know what a desirable alternative to capitalism might look like.

Economic Justice and Democracy

Robin Hahnel, 2005

In Economic Justice and Democracy Robin Hahnel presents a coherent set of economic institutions and procedures that can deliver economic justice and democracy through a “participatory economy”.

Parecon – Life after captitalism

Robin Hahnel, 2004

‘What do you want?’ is a constant query put to economic and globalization activists decrying current poverty, alienation and degradation. In this highly praised new work, destined to attract worldwide

attention and support, Michael Albert provides an answer: Participatory Economics, 'Parecon' for short. Read the book free online

The political economy of Participatory Economics

Michael Albert & Robin Hahnel, 1991

Here Michael Albert and Robin Hahnel support the libertarian socialist tradition by presenting a rigorous, well-defined model of how producers and consumers could democratically plan their interconnected activities. Read the book free online

Looking Forward

Michael Albert & Robin Hahnel, 1991

How work can be organized efficiently and productively without hierarchy; how consumption could be fulfilling and also equitable; and how participatory planning could promote solidarity and foster self-management. Read the book free online

Realizing Hope

Michael Albert, 2006

Realizing Hope offers a vision of how whole areas of life might be transformed in a post-capitalist society, one where communities rather than profits are placed firmly at the center.

The ABCs of Political Economy

Robin Hahnel, 2014

A lively and accessible introduction to modern political economy. Informed by the work of Marx, Veblen, Kalecki, Robinson, Minsky and other great political economists, Robin Hahnel provides the essential tools needed to understand economic issues today.

Creators of the model

Michael Albert (www.zcomm.org/author/malbert)

Michael Albert is an American activist, speaker, and writer. He is a co-creator of the Participatory Economics model, and co-founder of the alternative media organisation ZCommunications.

Robin Hahnel (www.robinhahnel.com)

Robin Hahnel is an economist and political activist. He was Professor Emeritus at American University in Washington, D.C and Portland State University. He is a co-creator of the Participatory Economics model.

Videos

The Economic Choice Beyond Capitalism and Communism (youtube)

Robin Hahnel talks about his new book, Of the People, By the People, The Case for a Participatory Economy.

An alternative economy (vimeo)

An introduction to Participatory Economics (Parecon) by Michael Albert in Helsinki, Finland.

A cartoon introduction to Participatory Economics (youtube)

A short cartoon introduction to Participatory Economics.

The case against markets (youtube)

Robin Hahnel speaking at University of Helsinki (11th September, 2012) about some of the structural problems of market systems. The talk was organized by Parecon Finland.

Participatory Planning (youtube)

Robin Hahnel on participatory planning at ABF-huset in Stockholm.

Participatory economics (youtube)

Michael Albert speaks about Participatory Economics and the interim International Organisation for a Participatory Society.

Audio

Participatory Economics Interview with Robin Hahnel on Escape Velocity Radio

Participatory Economics – Occupy London interviews Robin Hahnel

Floodgates of Anarchy Interview – Robin Hahnel on Participatory Economics, Venezuela and Economic Justice