

**Thoughts on the Institutions for a Participatory Economy:  
a dialogue with Robin Hahnel**

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Let me begin, like Robin did in his opening contribution to this dialogue, by affirming a very broad range of issues on which we are in deep agreement:<sup>1</sup>

1. *Strong egalitarianism is a core value.* We both adopt a radical egalitarian understanding of social justice, although we use slightly different language to express our views. A just system of economic distribution is one which combines an unconditional guarantee of income sufficient to provide for (generously interpreted) basic needs with additional income that is proportionate to some broadly understood notion of effort or sacrifice. Robin refers to the first of these conditions as a condition for a *humane* economy, not a just economy, and treats only the second condition as a matter of justice, whereas I feel it is unjust to deny people equal access to the material means necessary to live a flourishing. But this makes no practical difference in our views about what constitutes a desirable system of distribution.<sup>2</sup> We both reject inequalities in material conditions of life that are the result of talents or contributions or brute luck and certainly of power.

2. *The quality of work, not just the material rewards from work, is an issue in justice.* Robin expresses this concern in his principle of “balanced job complexes” – the idea that all jobs, to the extent possible, should contain the same mix of tedious and enjoyable tasks, pleasant and unpleasant activities, routine and “empowered” responsibilities. As an ideal, all jobs should be equally desirable from the point the view of whatever qualities people value within work. This is a complex regulative ideal, and while in practice it will never be fully realized, deviations are a matter of injustice. People in jobs which, for pragmatic reasons, have more burdens in this sense (i.e. a less desirable balance of tasks) should thus be compensated with greater income or more leisure or in some other appropriate way.

3. *Radical, substantively meaningful democracy.* Democracy, if taken seriously, means that people should be able to meaningfully participate in making decisions over things which affect their lives. Robin correctly argues that the full realization of that principle means that the weight of individuals’ preferences in decisions should be roughly proportional to how much any given decision affects them. This is obviously a very complex idea to put into practice in a fine-grained way, and any practical implementation will at best be a rough approximation of the ideal itself. This conception of democracy provides grounding for the kind of nested system of participatory decision-making bodies that is at the heart of the institutional design of Robin’s model.

4. *Capitalism has destructive effects on all of these values.* Finally, we both argue that capitalism systematically contradicts the realization of all of these values, and while it is sometimes possible to mitigate some of the deficits with various kinds of public policies within

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<sup>1</sup> My analysis here is based more on Robin’s book, *Of The People, By The People: the case for a participatory economy*, rather than simply his initial contribution to this dialogue.

<sup>2</sup> Using the term “justice” in a more restrictive way only really matters if one also believes that considerations of justice always trump other values. Some liberal political theorists seem to argue this – that whenever there is a conflict of values between justice and something else, justice decides; it has, to use the philosophers’ term, “lexical priority.” Neither Robin nor I give justice that kind of over-riding weight. In Robin’s terms it is just as important that a society be humane as just, and in places in his analysis he is willing to accept as a legitimate trade-off some departures from justice in the name of efficiency (see my discussion below of the problem of innovation).

capitalism, transcending capitalism is a necessary condition for the fullest possible realization of democratic egalitarian values.

That is a lot of agreement. Where we differ is in our views of certain important aspects of the institutional design of an alternative that is best suited to realize these common values.

Robin feels very confident that a complex, large-scale, well-functioning economic system – in principle even a global economy – could exist in which markets have been completely replaced by participatory planning. While he acknowledges that the actual design of economic institutions in a post-capitalist participatory economy will evolve through experimentation and democratic deliberation, he nevertheless argues that the goal should be the complete elimination of markets, and his hypothesis is that such an economy would function in ways that would be robustly sustainable. Sustainability, in the context of a democratic egalitarian economy, means that the institutional configuration in question would be continually endorsed by the broad majority of participants in the economy since they have the power to change the rules of the game if they don't like the way things are working. There will inevitably be trade-offs across the different values that a participatory economy hopes to realize. A particular set of institutional rules of the game is a way of navigating those trade-offs. A stable system is one in which the continual over-time results of the operation of the system reinforce the actors' commitment to those rules. Robin's hypothesis, then, is that a participatory economy in which markets play no role would be sustainable in this sense.

My position is that the optimal institutional configuration of a democratic-egalitarian economy is much more likely to be a mix of diverse forms of participatory planning, state regulatory mechanisms, and markets. I, like Robin, am disposed to give great weight to the participatory mechanisms because of the ways these embody values of equality and democracy, but I am very skeptical that these could ever completely displace markets, or even, really, that this should be some bottom-line goal to which we aspire. I want a robustly and sustainably democratic egalitarian economy, but my expectation is that the institutional designs *that people in such an economy would actually choose* (through experimentation and learning) will include a significant role for markets. This is a *prediction* rather than a *prescription*. I do not know what institutional configuration of different forms of economic organization would work best, nor what, in practice, the trade-offs will be between different configurations. What I predict, then, is that a configuration in which markets play no role would not be sustainable in the sense I am describing.<sup>3</sup>

I also believe – as I will argue in more detail later – that this expectation may not be so different from what Robin's model would, in practice, generate iteratively over time. Robin acknowledges that the actual functioning of his model for a participatory economy combines initial rounds of planning (through his nested participatory councils of various sorts) and after-the-fact, continual "adjustments" that occur for a variety of reasons. Depending on the scale of

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<sup>3</sup> Contrary to what some people argue, sustainability of a post-capitalist democratic egalitarian economic system of the sort proposed by Robin would not require that it generate high rates of economic growth (unless, of course, it were also the case that the participants within such an economy would be sufficiently dissatisfied with the rates of growth -- or non-growth – that an alternative was seen as preferable). What sustainability requires is that the participants' commitment to the institutions is not undermined by the effects of its operation.

processes through which these adjustments occur and exactly how they are executed, they could function a lot like markets. And since this is an ongoing process in which the adjustments in one period constitute inputs for subsequent planning, it is not so clear that the marketish processes would play an only peripheral role.

This way of thinking about the issues implies that the concept of “markets” is not a binary – you either have markets or you don’t; any given transaction is either a market transaction or it is not. Some exchanges are heavily regulated and affected by collective priorities, but still involve things being bought and sold in which the prices are affected by supply and demand as well as regulatory constraints. Such exchanges involve significant market and nonmarket mechanisms. Or to take a different kind of example, in my usage of the term “markets,” garage sales (and their internet equivalents like Craig’s list) are a form of market relations: items are put up for sale; the prices tend to be higher in the morning than at the end of the day in response to the demand by consumers for the things on offer; more garage sales are likely to occur (i.e. the supply of goods for sale through this mechanism will be greater) in an economic environment where there are lots of people who like to buy used things. A participatory economy, I would predict, is likely to allow, perhaps even encourage, things like garage sales. Of course capitalism is not like a garage sale writ large because the power relations implicated in capitalist markets are vastly different from those in a neighborhood garage sale. Garage sales are a very minor aspect of the market system in contemporary capitalism. But nevertheless, they constitute a particular form of market processes.

In what follows I focus on five elements of Robin’s model:<sup>4</sup> household consumption planning; the mechanisms for dealing with externalities; public goods planning; risk-taking innovation; the organization of work and pay. My skepticism is greatest about the first of these, so I will spend the most time exploring its mechanisms and ramifications. For the others I have specific issues to discuss, but I broadly endorse what I see as the core principles they each attempt to achieve.

## **PARTICIPATORY PLANNING OF HOUSEHOLD CONSUMPTION**

In his book (p.115), Robin describes four basic principles that his model of participatory planning is meant to embody:

1. We want people to have input over decisions to the degree they are affected.
2. We want outcomes to be fair and efficient.
3. We want procedures to promote rather than undermine solidarity.
4. We want all our plans to be environmentally sustainable.

These are all desirable principles. What I wish to interrogate is the second element in the second criterion: efficiency.<sup>5</sup> Specifically, I am skeptical that an institutional design in which

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<sup>4</sup> Throughout this paper I will address my comments strictly to Robin’s writing on participatory economics. I recognize, of course, that many of the ideas were developed jointly with Michael Albert

<sup>5</sup> Like Robin, I reject the narrow meaning of efficiency adopted by many economists as the profit-maximizing use of resources on a market. Rather, efficiency refers to the allocation all resources (including the time of all

markets have been completely eliminated – where they play no role whatsoever in economic coordination – is likely to be as efficient as an institutional configuration that combines a variety of forms of economic coordination: participatory planning, centralized regulations, and market interactions. I will not argue for the superiority of markets over participatory planning; I am arguing for the desirability of an institutional ecosystem of the economy that combines a variety of institutional forms and mechanisms.

I will focus first on the aspect of the planning process which I feel is the most problematic, the planning of household consumption. The planning of consumption is in many ways the pivotal process within the participatory economy model for this is what most fundamentally dictates what is produced in the economy. As Robin writes:

There is complete freedom of choice in a participatory economy regarding *what* one wishes to consume. Moreover, consumer preferences determine what will be produced in a participatory economy whereas they only do so very imperfectly in market economies. Since markets bias consumer choice by overcharging for goods whose production or consumption entail positive external effects, undercharging for goods with negative external effects, and over supplying private goods relative to public goods, markets influence what will be produced in systematic ways that deviate from consumers' true preferences. Participatory planning is carefully designed to eliminate these biases which both infringe on "consumer sovereignty" and generate inefficiencies. (p.80)

Robin's model of the participatory planning of public goods – collective consumption in its various forms – does not pose the same problems. By their very nature, public goods are always planned in one way or another, and Robin's proposed model of participatory planning of public goods in which councils at the appropriate scale for a given public good are the primary site for deliberation over public goods seems absolutely right. I also have much less to say about the various forms of production planning – annual plans, long term investments and development planning. These are certainly important, and some of what I have to say would be relevant to those arenas of planning as well, but I also think that the weight of the participatory planning elements for those kinds of decisions would, in an optimal social design, be much greater than for household consumption planning.

One final provisional comment: I am not sure that in all details I fully understand the operation of the participatory planning mechanisms that are at the core of Robin's model. I have read the relevant chapters in the book numerous times, as well as Michael Albert's book *Parecon* and a few other discussions of these issues, but nevertheless there are parts of the exposition which, for me anyway, remain unclear. I have not been able to develop an intuitive understanding of how all of this actually works, how all of the pieces fit together, and especially why the proposed institutional design eliminates all perverse incentives so that everyone provides perfect information to everyone else, thus making the system is invulnerable to opportunism by individuals or groups.<sup>6</sup>

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participants) that best reflects the optimal trade-offs for alternative uses of those resources. Efficiency must include a full account of positive and negative externalities.

<sup>6</sup> I don't think my lack of intuition here is because I have not read the technical economic papers that Robin refers to in his essay, papers which he describes as proving that his planning mechanism generates optimal outcomes. I

Let me begin by reviewing the basic elements, as I understand them, of the way consumption planning for individual households takes place in Robin's model:

1. At the beginning of the process the Iteration Facilitation Board announces current estimates of indicative prices for everything (consumption items, inputs to production, labor, etc.) based on estimates of opportunity costs and positive and negative externalities in the production of all goods and services.
2. Each household begins the process with a budget constraint determined by: a) an effort rating based on the contributions of labor effort by all household members during the previous year, b) a level of consumption allowances for people excused from participation in production (children, elderly, severely disabled, etc.), and c) a consumption allowance for people who simply don't want to work (this is, in effect, an unconditional basic income, presumably set at a level to fully meet basic needs).
3. Every year individual households submit to their neighborhood consumer councils their requests for all the things they anticipate consuming in the following year given the household budget constraints. In effect, they pre-order their annual household consumption.
4. The powers of neighborhood consumption councils with respect to household consumption include: authorizing borrowing and saving of households; approving their consumption requests; discussing and proposing neighborhood public goods. The household proposals are reviewed by neighborhood consumption councils. If they fall within the budget constraint of the household, then they would normally be approved automatically. If there is a request for consumption above this level – in effect a request for a loan – this would normally be reviewed more closely. If the proposals are rejected, households revise them.
5. Neighborhood consumption councils aggregate the approved individual consumption requests of all households in the neighborhood, append requests for whatever neighborhood public goods they want, and submit the total list as the neighborhood consumption council's request in the planning process.
6. Higher level federations of consumption councils make requests for whatever public goods are consumed by their membership.
7. On the basis of all of the consumption proposals along with the production proposals from workers councils, the IFB recalculates the indicative prices and, where necessary, sends proposals back to the relevant councils for revision.
8. This iterative process continues until no revisions are needed.

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am not skeptical that the mathematical models that are elaborated in those papers show these things. What I am skeptical about is that the mathematical models can adequately represent the way these institutions would actually function over time. I suppose this is in part the skepticism of a sociologist about the empirical robustness of conclusions that can be drawn from formal mathematical models of complex social processes.

There are two issues that I would like to raise with this account about how household consumption planning would actually work in practice: 1. How useful is household consumption planning? 2. How marketish are “adjustments”?

### ***How useful is household consumption planning?***

Robin argues that this planning process would not be especially demanding on people. In his words:

We are well aware that consumers will misestimate what they ask for and need to make changes during the year, and that some consumers will prove more reliable and others more fickle. As a matter of fact, being quite lazy about such matters, I would not bother to update my consumption proposal at all! And being very irresponsible about communication I would also, in all likelihood, fail to respond to the prompt from my neighborhood consumption council reminding me to send in a new proposal for the coming year. I would simply allow my neighborhood council to re-enter what their records show I actually ended up consuming last year as my pre-order again for this year. Sound difficult?

The easiest way to think about this is to imagine each consumer with a swipe card that records what they consume during the year as they pick it up, and compares their rate of consumption for items against the amount they had asked for. If one’s rate of consumption for an item deviates by say 20% from the rate implied by the annual request, consumers could be “prompted” and asked if they want to make a change. If at the end of the year the total social cost of someone’s actual consumption differs from the social cost of what they had asked, and been approved for, they would simply be credited or debited appropriately in their savings account. (pp. 86-87)

Here is one of the things I don’t understand about this process as described: A key issue for any meaningful planning process is the classification of the items in the consumption bundle. When a consumer submits a plan, how fine-grained are these categories? For example, is “clothing” a category, or is the relevant category “shirts,” or “dress shirts,” or “highly tailored dress shirts” or “highly tailored silk dress shirts”? Among food items, is “jam” a category, or is “imported French blueberry jam” a category? For something like “books”, is it enough to estimate how much I plan to spend on books in a year, or do I have to know which titles I am likely to buy? Also: if I travel, then my consumption of certain things will extend far beyond the boundaries of my immediate location. If I estimate how much of the value of my consumption will be in restaurants, does it matter that some of these might be in Paris or New York rather than in the city where my neighborhood consumption council is located? I can certainly imagine making gross estimates of very large categories of consumption – like clothing or travel or food – but not of fine-grained items.

The problem is that the gross categories provide virtually no useful information for the actual producers of the things I will consume. It does not help shirt-makers very much to know, based on the aggregation of individual household consumption proposals, that consumers plan to spend a certain per cent of their budget on clothing; they need to have some idea of how many shirts of what style and quality to produce since these have very different indicative prices (and thus reflect different opportunity costs and positive and negative externalities). But consumers can hardly be expected to have a reasonable idea of their consumption for the future at that level of detail – how many cheap versus expensive meals I will consume in what

cities, etc. Robin does not explain how detailed the consumption list is expected to be, whether it is built on categories like “food” or the list needs to be broken down into “wild-caught smoked salmon” and “gourmet organic chunky peanut butter.” In some places he seems to suggest that the categories will be quite coarse-grained, as in the above quotation when he writes: “If one’s rate of consumption for an item deviates by say 20% from the rate implied by the annual request, consumers could be ‘prompted’ and asked if they want to make a change.” That prompting would make sense for a broad category like clothing, but not a detailed specification like “silk neckties”.

Since the coarse categories would not be useful for planning by federations of workers councils, and this is the fundamental purpose for pre-ordering consumption, I will assume that the finest level of detail is required. This would involve for any complex economy hundreds of millions of items – basically, all of the differentiated final consumption items around which producers make decisions about how much to produce. Since it is beyond the ability of people to meaningfully specify such an inventory a year in advance, the solution, of course, is for households simply to use the list of specific items they actually consumed from the previous year. This seems to be what Robin suggests that he, and probably most people, would do: “I would simply allow my neighborhood council to re-enter what their records show I actually ended up consuming last year as my pre-order again for this year.” (p.86) If overwhelmingly this is what people would do, then there is actually no real need for them to submit pre-ordered consumption “proposals” at all since the total consumption of specific items from the previous year is already known to producers – this equals the total of all the goods and services produced that were acquired by consumers. The plans for production for the future, then, in effect would be done pretty much as they are done now: producers would examine the sales<sup>7</sup> and trends of sales in the recent past, and make their best estimate of what to produce for the next year on that basis. Indeed, since producers and their sector federations can continually and efficiently monitor these trends, they are in a position to make updates to plans in an on-going way on the basis of the actual behavior of consumers, rather than mainly organize their planning activities around annual plans animated by uninformative household pre-orders.

There is a certain irony here. Robin argues in favor of pre-ordering by saying:

A participatory economy is a planned economy. This means we must have some idea what people want to consume in order to formulate a plan for how to produce it. In market economies consumers do not “pre-order,” and instead producers are left to guess what consumers will eventually demand. .... the convenience for consumers of never having to pre-order in market economies is actually bought at the expense of a significant amount of economic inefficiency as resources are wasted producing more of some goods and less of others than it turns out people want. (p.84)

But if pre-ordering is really a fiction since most people will behave as Robin predicts that he will behave, then it will still be the case that “producers are left to guess what consumers will eventually demand.” Of course, in a participatory economy where there is little competition among producers and they are organized into federations of workers councils, it will be easier

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<sup>7</sup> I use the term “sales” here for convenience, since strictly speaking in Robin’s model of participatory economics nature of the exchange between consumer and worker is not exactly buying and selling in the usual market sense.



for them to get full and detailed on-going data on consumer choices relevant to their on-going plans, so their guesses are likely to be more accurate than in capitalism. But what is gained by having households submit a formal pre-order of a year's worth of consumption, given how they are likely to behave, instead of having the producers simply use all of the relevant data from actual patterns of consumption in their sectors as the basis for estimating what will be consumed in the next year?

There is one other secondary issue I'd like to raise about household consumption planning and neighborhood consumer councils. I understand – and support – the role of neighborhood councils in planning neighborhood public goods. I don't understand why my personal consumption should be the business of a neighborhood council, even apart from the problem already discussed of the usefulness of the procedures involved. The general principle underlying participatory planning is that people should be involved in decisions *to the extent it affects them*. But why does my personal consumption have any effects whatsoever on my immediate neighbors any more than it does on anyone else? They are affected by the division of consumption between public goods and private consumption, but not by the content of what I consume, so why should they have any role in that at all? The same goes for my requests for loans or credit: why is this the business of my neighbors?

### **How marketish are “adjustments”?**

Robin acknowledges that the initial annual plans for household consumption will only be approximations and that throughout the year adjustments will have to be made. Robin affirms the value of consumers being able to consume what they want in a participatory economy: “There is complete freedom of choice in a participatory economy regarding *what* one wishes to consume” (p.80). This means that the pre-ordered household consumption plans will result in lots of deviations, and accordingly, lots of adjustments. Here is how Robin foresees these adjustments taking place:

One of the functions of consumer councils and federations is to coordinate changes in consumption among themselves. If another consumer wants more of an item I pre-ordered but no longer want, there is no need to change the amount the agreed upon production plan called for. Whenever consumer councils and federations (which will function like clearing houses for adjustments) discover that changes do not cancel out, the national consumer federation will have to discuss adjustments with industry federations of worker councils. Computerized inventory management systems and “real time” supply chains are already fixtures in the global economy, which makes adjustments much smoother than they would have been only a few decades ago. (p.85)

The actual process by which these adjustments will occur is not very clear to me, but even with the best inventory management systems one can imagine, there will still be excess inventory of some goods in the system and shortfalls in others. The most obvious way that excess inventory will be dealt with is by allowing people to acquire these things less expensively. To use conventional language, where there is excess supply, prices will be reduced, whether on an erratic basis or as “end of season sales.” To be sure, this means that the prices of these goods will not reflect the opportunity costs of their initial production or the positive and negative externalities that were taken into consideration in determining their initial

“price”. But it will reflect the opportunity costs consumers face in deciding to acquire one good or another.

There will also be shortages in goods. In some specific situations, this is inherent in the nature of the goods. For a theater performance there is a difference between the best seats and the worst seats in the house, although the production costs of the “seat” in terms of material inputs, and positive and negative externalities, don’t differ across seats. For other goods, especially some novel good, there will be shortages just because of the time it takes to produce as much as people want. One way of dealing with shortages in the supply of something is rationing, for example through a lottery. People could buy a theater ticket and be randomly assigned a seat. Or they could order a new product and the length of time they had to wait until they received it could be randomized. That is one perfectly good solution and satisfies a certain interpretation of equality. Or access could be based on a first-come-first-served basis, with the accompanying night long vigils to get tickets when a box office opens. But one could also charge people more for the items that are in short supply. If this occurs in a social context of effort-rating based income – that is, a system in which everyone has the same choice of how much income they want to earn by simply deciding how much effort they want to expend – then charging more for goods in short supply simply means that those people who really want the good more will be able to choose to consume it sooner. In Robin’s model, the extra income generated by these higher-than-cost-of-production prices would not go into the pockets of the producers. Their incomes would continue to be based on their own effort expenditure. All that would change is that consumers would be able to decide whether it was sufficiently important for them to have the good in question sooner that they would be willing to consume less of something else or work harder for some period of time.

This description of how adjustments to annual consumption plans would work looks a lot like certain critical aspects of markets: prices adjust to disequilibria of supply and demand. This, of course, does not render the economy overall a “free market economy”. The fact that the costs of externalities, positive and negative, are built into the base price of goods, is not something that happens in market systems, and certainly the fact that purchasing power is based on effort-expenditures is not based on a market mechanism. Yet, allowing the actual prices consumers face to be systematically affected by supply and demand is a market process. And depending upon the actual, practical, degree of adjustment needed in the system, this could generate significant variation in prices. My prediction is that in a participatory economy, the participants would decide that this was often a reasonable way of dealing with the problem of discrepancies between supply and demand.

## **THE PROBLEM OF EXTERNALITIES**

One of the most important elements in Robin’s critique of markets is their inability on their own to adequately take account of negative and positive externalities of production. If there were no negative and positive externalities, and if there were no concentrations of power in markets (and thus no monopoly rents), then the equilibrium prices of goods in markets would be unlikely to differ dramatically from those generated by participatory planning. Both systems

would produce prices closely in line with the total real costs of production.<sup>8</sup> But of course, there are substantial positive and negative externalities. Among the most interesting and original parts of the model of participatory economics is the way Robin proposes to deal with these issues.

The key problem for any planning process with respect to externalities is figuring out a way to assign quantitative values to externalities so that these can be adequately reflected in the prices of the things that people consume. Assigning a value to such costs and benefits involves two steps. First, there is a technical problem of identifying the inventory of actual negative and positive side-effects of a given production process. This is the work of scientists and technical experts. For example, in the case of environmental negative externalities, this involves identifying the amounts of different pollutants generated in a given production process, and scientifically showing what are the ill-effects of given levels. Producers, of course, have to be required to report these levels, and this generally requires some kind of monitoring and enforcement mechanism, but these levels only have meaning in a planning process when there is a way of assessing the harms they cause. This is where science plays a pivotal role: providing information about such things as the increase in risk of cancer caused by a given level of a particular pollutant.

This brings us to the second step: figuring out the value to be placed on the harm. It would always be possible, of course, to declare that zero pollution is the only acceptable level. This could, however, turn out to be enormously costly in many situations, and thus some device needs to be concocted to put a value on the harms caused by a given level of pollution compared to the costs of reducing the pollution. This is where Robin's model has a particularly original suggestion. Basically he proposes that federations of consumer councils at the appropriate geographical level in which an environmental negative externality of production is present be allowed to decide on the level of compensation they need in order to be willing to accept a given amount of pollution. This is like saying: I'll be happy to have a cancer risk increase by 10% if you increase my consumption by 20%. Here is how the process works:

In each iteration in the annual planning procedure there is an "indicative price" for every pollutant in every region impacted representing the current estimate of the damage, or social cost of releasing a unit of that pollutant into the region. What is a pollutant and what is not is decided by federations representing those who live in a region, who are advised by scientists employed in R&D operations run by their federation<sup>9</sup>.... If a worker council proposes to emit  $x$  units of a particular pollutant into an affected region they are "charged" the indicative price for releasing that pollutant in the region times  $x$ ....The consumer federation for the region affected looks at the indicative price

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<sup>8</sup> The mix of public goods and private goods would, of course, be likely to be very different under any system of democratic planning.

<sup>9</sup> This particular detail – that the federations corresponding to a region affected by pollution have its own R&D department employing scientists – does not seem like a workable institutional design for the technical issues involved in assessing environmental externalities. The boundaries of regions impacted by given pollutants will vary enormously. Some will be smaller than cities, some much larger regions. It does not seem necessary that consumer federations in each region have its own R&D department and hire its own scientists. It is not clear to me why, for these kinds of technical regulatory matters, state institutions with field offices and extension services wouldn't do this job more effectively.

for a unit of any pollutant that impacts the region and decides how many units it wishes to allow to be emitted. *The federation can decide they do not wish to permit any units of a pollutant to be emitted, in which case no worker council operating in the region will be allowed to emit any of that pollutant. But, if the federation decides to allow X units of a pollutant to be emitted in the region, then the regional federation is "credited" with X times the indicative price for that pollutant.*

What does it mean for a consumer federation to be "credited?" It means the federation will be permitted to buy more public goods for its members to consume than would otherwise be possible given the effort ratings of its members. Or, it means the members of the federation will be able to consume more individually than their effort ratings from work would otherwise warrant. (pp.124-5)

If the consumers harmed by pollution are unwilling to permit, at the level of compensation offered by the price of pollution, as much pollution as the producers would like, then the price for units of pollution will go up in the next round of the iterative planning process. And if the price is too high, then the federation of consumers affected by pollution will want to purchase more units of pollution than the producers will want to emit, and so the price will decline in the next round. This continues iteratively until an equilibrium is reached.

This is indeed a clever device. The principle alternative discussed by Robin is pollution taxes (called "Pigouvian taxes") set equal to the value of the negative externalities and imposed on polluters. The problem with such taxes, as Robin points out, is the difficulty in knowing how high to set the taxes to fully cover the amount of damage caused by the pollution. What Robin proposes is a specific method for determining the level of those taxes by organizing what is very much like a series of collective auctions for the right to pollute. The auctions continue until there is an equilibrium between the demand for pollution payments and the supply of pollutants offered by producers. Robin sees the process as iterative adjustments in the indicative price for pollution, but it could equally well be described as a method for determining the Pigouvian taxes on pollutants. This looks a lot like a quasi-market in which the buyers and sellers are councils of various acting as agents for individuals as consumers and workers.

This device for calculating the value of externalities could work well in some situations. But it could easily become extremely complex and cumbersome. There are a number of issues in play: The geographical boundaries of a particular source of pollution may or may not correspond to the boundaries of existing consumer federations. If the smallest scale federation that includes all of the affected areas is the relevant decision-making body, then this would often include large numbers of consumers unaffected by the pollution. This undermines the sense in which the valuation of damage by the federation as a whole would reflect the subjective valuation of those most affected by the pollution in question. Would coalitions of most affected consumers be able to constitute themselves as an ad hoc federation and insist on higher prices for the rights to pollute? Furthermore, even apart from the fact that different parts of a region will have differential damage, there may be considerable heterogeneity among the population of an area how much they care about the damage in question. This is obviously a problem in any system for constructing a metric of damage from pollution, but it adds special complexity when the process is meant to be participatory and deliberative. Would consumers with stronger anti-pollution preferences be able to form an ad hoc federation to demand higher pollution prices? Could they constitute a blocking coalition? Finally, unless I am misunderstanding the process involved, the procedures Robin advocates would likely generate

considerable heterogeneity in the pollution taxes (i.e. the negative externality charges built into “indicative prices”) faced by producers of similar goods in different places. This means producers in areas where consumers don’t care so much about pollution would be able to produce at lower cost. However, there is no restriction (as far as I can tell) that they only distribute their products to the pollution-indifferent consumers. This means that the same goods will be available to consumers elsewhere at lower and higher indicative prices depending on the pollution preferences of consumers in the places where production takes place. This begins to look like a situation that generates market pressures on the high cost producers.

Given that there are many thousands of potential pollutants, and the geographical damage-boundaries of different pollutants from the same production process will often be different, the actual process by which negative externalities are dealt with through iterated annual planning by consumer federations could become extremely cumbersome and inconsistent. In such a situation, consumers might decide that they prefer a simpler system which combines government regulations that impose various kinds of limits on allowable pollution with a system of uniform taxes on different types of environmental externalities. Given that, in a participatory economy, the democratic accountability of government policy-making will not be distorted by concentrations of private power as in capitalism, consumers-as-citizens might prefer the uniformity and predictability of such a regulatory system even though it would be less immediately responsive to citizens-as-consumers particular preferences for levels of pollution.

## **PUBLIC GOODS PLANNING**

My concerns about participatory planning of public goods are much less than about household consumption. Public goods do need to be discussed and decided on by public bodies, and it is certainly desirable as much as possible to have the deliberation over public goods be by the circles of people who will actually benefit from them. For many, perhaps most public goods, the appropriate level for such decision-making will be at a fairly macro-level – cities and regions and even higher levels. But there certainly are some important public goods where the key domain of collective consumption is the neighborhood, and it is appropriate that the people directly affected have the major role in deciding the details on these. This is what, in a limited way, participatory budgeting of municipal infrastructure investments tries to do. Robin’s model of participatory planning of public goods can be thought of as a radical extension of some of the elements of participatory budgeting. I strongly endorse the general spirit of the idea that public goods planning should be maximally participatory at whatever geographical level is most relevant for a particular kind of public good.

The participatory decision-making over collective public goods consumption, however, does not require consumer councils that also approve or disapprove individual household consumption plans. What a neighborhood public goods council needs to decide is the division between public and private consumption within the neighborhood (i.e. how much of income that would otherwise go to households should be allocated to those public goods) and what specific public goods to produce. There is no inherent reason why this needs to be connected

to approval of plans for what households consume privately. For this reason, I think it would be better to call these public goods councils than consumption councils.<sup>10</sup>

Unlike the planning for household consumption, public goods planning at whatever level it occurs requires real public deliberation: meetings, debates, bargaining, formulation of plans for specific projects, etc. Participatory planning of public goods – at the neighborhood level and beyond -- will be a critical feature of a post-capitalist, democratic egalitarian economy, especially because it is likely that the balance between private and public consumption will shift considerably in the public direction. Planning such public goods in a deeply democratic way, however, will be arduous, not simple, because it is unlikely there will be a smooth consensus over the balance between household consumption and public goods or over the specific mix of public goods. This will raise the Oscar Wilde problem of socialism taking up too many evenings, but it is worth it.

There is one set of issues around public goods planning in Robin's model that was not clear to me: the role of Government institutions rather than just consumer federations. On one interpretation of Robin's participatory economics model, virtually all government functions are replaced by consumer councils and federations and by workers councils and federations. There might still be a role for government around certain kinds of rule-making and rule enforcing – for example, things like speed limits or enforcing the accurate reporting of pollution discharges so the planning process (however it is organized) has accurate information on which to deal with externalities. But the government would have no responsibility for planning and producing any kind of public goods.

There may be reasons, however, to make a distinction between the way public goods are connected to people as *consumers* and public goods that are linked to their status as *citizens*. For one thing, some public goods do not fall neatly into the distinction between consumers and producers. Educational public goods, for example, serve people's needs both as producers and consumers, and the same can be said for health care. Public transportation systems are public goods for people both as consumers and producers. Democratically accountable government institutions might be more appropriate than consumer or producer federations for providing these kinds of multidimensional public goods and monitoring their performance. But it is also the case that there is a range of public goods (or aspects of public goods) which, in certain important ways, serve the needs of people neither as consumers or producers but as members of a community. Public gathering places are public goods, and in a sense they are "consumed" by people when they gather for public purposes, but this is only one aspect of their social meaning. They also contribute to constructing a public sphere and public identities. Public spaces for performing music and theater are a public good in which these activities are consumed by audiences and produced by performers; but they are also sites for the collective project of affirming cultural identities and purposes. Aspects of the mass media are like this as well insofar as the media contribute to civic mindedness and solidarities.

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<sup>10</sup> If these councils are also meant to deal with the problem of negotiating pollution prices, then this could be treated as the planning of "public bads" consumption. The mandate for these councils would thus revolve around the dual task of planning both public goods and public bads.

Perhaps these kinds of civic public goods would be adequately attended to by nested councils and federations organized around consumption. But perhaps not. It may be that they would be better fostered by citizens assemblies organized as political bodies within a federated state structure. As a sociologist I am somewhat skeptical that a system of councils organized around the social role of people-as-consumers and institutionally embedded in a planning process concerned with negotiations with workers federations through the intermediation of the iteration facilitation board's management of indicative prices is the optimal setting for deliberations over civic public goods.

## **RISK-TAKING INNOVATION**

I have no problem with the broad principle that a great deal of investment in new projects – perhaps even a large majority of investments – could be effectively organized through some kind of participatory, democratic planning process involving various kinds of councils and federations. Whether this would be precisely organized along the lines of workers councils and sectoral federations as proposed by Robin or through some other institutional arrangement is a secondary matter; the important point is that it is plausible that much investment can be productively allocated through directly democratic processes.

What is less clear to me is whether the optimal system would eliminate all features of more market-like allocations for at least some investments. Is there good reason to believe that the optimal system would allow no investments outside of the decision-making processes of councils and federations? Consider the following example:

Suppose a group of people have an idea for some new product but they cannot convince the relevant council or federation to provide them the needed capital equipment and raw materials to produce it. There is just too much skepticism about the viability of the project. An alternative way of funding the project could be through a form of crowd-sourcing finance along the lines of kickstarter. The workers involved would post a description of the project online and explain their specific needs for material inputs. They appeal to people (in their role of consumers) to allocate part of their annual consumption allowances to the project. Consumers might decide, for example, to put in extra hours at work in order to acquire the extra funds needed for their contribution, or they might just decide to consume less of some discretionary part of their consumption bundle. Once sufficient funds are raised in this manner, the project can proceed. Such a device could be used for an experimental theater project that the relevant sector federation (which would in effect function like an arts council) thinks is a waste of resources. Or it could be used for some new manufactured product.

There are a variety of motivations that might lead people to voluntarily make this allocation. They might believe in the social value of the project and therefore be willing to give the funds as an outright grant. This is currently the motivation behind a range of kickstarter projects in the arts. Or they might be really keen on the product, and give the funds in exchange for a promise of being the first to get the product itself at an equal value to what they gave. This would, in effect, be simply a long-term pre-order of the product, although operating outside of

the mechanism of the Iteration Facilitation Board. But potential contributors to the project might also only be interested in contributing if they got a positive return on their “investment”. This would look much closer to market-investment.

The question, then, is should such practices be prohibited in a participatory economy? Especially if a positive return on crowd-sourced investments is allowed, these projects would constitute a kind of quasi-market niche in the participatory economy. Robin argues that new worker councils should be prohibited from raising capital outside of the planning process. Here is what he says about new start-up worker councils:

In a participatory economy new worker councils bid for the resources they need to get started in the participatory planning process. If they submit a proposal that is accepted, they’re good to go. Otherwise not....But just as banks judge the “credibility” of new entrepreneur’s business plans in capitalism, industry federations judge whether or not a group who has proposed to form a new worker council are “credible.” (p. 111-2

Mostly, I suppose, industry federations will make sound judgments. After all, they have no incentives to block creative, well-thought out proposals. But they may be excessively risk averse and be subject to other kinds of biases. And, of course, there could be factions, in-groups and out-groups, and other forms of social exclusion which marginalize some kinds of projects. Certainly around artistic endeavors this is likely to happen periodically. In Robin’s model if a group of workers fail to get permission from a federation, they are out of luck (this is how I interpret the expression “otherwise not” in the above quotation).<sup>11</sup>

I think more flexibility than this is likely to be desirable. One thing, I think, would be pretty certain: if such processes are allowed, a fair number of projects outside of the ordinary planning process are likely to emerge, and this potentially could generate undesirable inegalitarian dynamics. Clearly a set of rules would have to be in place to counteract such forces. There could take the form of strict caps on the amount of extra income that could be generated as returns on such “private” investments as well as on the income generated by the projects for the workers. There could be rules by which the viability of an investment project is demonstrated, it had to gradually fold into the ordinary annual planning model for future inputs. The firms created through these outside-of-planning processes could still be required to be internally governed democratically. And of course they would be subjected to the same externalities taxes (or their functional equivalent) like any other productive activity.

My prediction is that in a vigorously democratic participatory economy, the participants themselves would be likely to endorse a space for something like unplanned risk-taking of this

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<sup>11</sup> It is worth noting that in capitalism there is a very wide range of ways that small businesses can acquire the necessary capital for projects: There are ordinary banks, of course, but in many countries there are a wide variety of specialized banks with different criteria for making loans, including some with social and environmental mandates. Community banks are different from national banks, and German state banks are different from multinational banks. There are also government agencies in many countries that give far below market-rate loans for targeted purposes and even outright grants. And there are things like Kickstarter and other unconventional ways of raising capital. I am not at all saying that this generates a fair and open access to capital. It does not in capitalism. The point is that this constitutes a heterogeneous institutional environment. I think a participatory economy is also likely to need an environment system with qualitatively distinct devices for funding projects.



sort. People would come to recognize certain kinds of rigidities and blind spots that occur whenever all projects need to seek permission from formally constituted collective bodies, and that a looser, more free-wheeling alternative could make the system as a whole more dynamic. While this means that there will be modest deviations from the purest model of participatory planning and effort-based remuneration, my prediction is that most people will see this as worthwhile. Under the background conditions of strong equality of material conditions and democratic control over the rules of the game, a certain amount of capitalism between consenting adults might be seen as a good thing.

This prediction, of course could be wrong. It could turn out that the corrosive effects on egalitarian norms of allowing even modest forms of market-like investments would be seen as so unpalatable that an absolute prohibition of such practices might be the democratic decision after a period of experimentation. But I think this is unlikely. The optimal economic “ecosystem” for a democratic egalitarian economy, I predict, would probably have something like participatory democratic planning processes as the dominant mechanism for allocating investments, but this would be combined with a variety of other economic allocation processes, including some with a strong market character.

Even though my specific views on this matter differ from Robin’s, in other places in his analysis Robin acknowledges that in a real participatory economy people might well decide, democratically, to deviate from the core principles of the system in order to solve certain incentive problems. In discussing the problem of dynamic efficiency, for example, Robin carefully explores the problem of the incentives for innovation. He asks, about innovation:

... since innovations are shared with all immediately [because there are no patent protections], where is the incentive for individual worker councils to innovate rather than wait for special R&D units or other worker councils to do so? In particular, will it prove desirable to provide material rewards to innovating workplaces, above and beyond what their members’ sacrifices entitle them to? (p.108)

He answers as follows:

There is good reason to believe in an economy where it is unlikely that status will be achieved through conspicuous consumption, and where social serviceability will be more highly esteemed, that rewarding workers in highly innovative enterprises with consumption rights in excess of sacrifices may not be necessary. *However, if people in a participatory economy come to the conclusion that extra rewards for workers in innovating enterprises are needed, any such rewards will be determined democratically by all citizens.* (p.109, italics added)

I agree completely with this formulation. It affirms the idea democratic choice over the rules-of-the-game is the decisive principle at work in a participatory economy. In this case, if there is a trade-off between strict adherence to the remuneration according to effort principle and dynamic efficiency, then it is reasonable for citizens to decide to allow some inequality in income to emerge. In effect, this means, they would be willing to allow some injustice in the income mechanisms in exchange for improvements in the rate of innovation. I am making the same point with respect to planning and an investment market.

## THE ORGANIZATION OF WORK AND PAY

In terms of the underlying normative principles, I fully support the central ideas of Robin's framework for both the organization of work and for pay: balanced job complexes and pay determined by effort rather than contribution. Where I would like to raise some issues is with the practical implementation of the ideals.

### *Balanced Job Complexes*

In my book, *Envisioning Real Utopias*, I define the equality principle of justice this way: "In a just society, all people have equal access to the social and material conditions necessary to live a flourishing life." This is entirely in keeping with Robin's proposal for the organization of work in terms of "balanced job complexes." One of the social conditions for a flourishing life is meaningful and interesting work, and the idea of equal access to those conditions of work means that the work of all members of a workplace should have relatively equal mixes of tasks with positive and negative attributes (e.g. tedious and enjoyable tasks, stressful and relaxing tasks, etc.). Significant deviations from this ideal constitute violations of justice.

The fact that in practice it will often be very difficult to fully implement this ideal does not in any way invalidate the principle itself. It simply suggests that where this occurs, some kind of compensation might be required. For example, a job with an above average density of unpleasant or tedious work might get a higher effort rating per hour, so that a person could work fewer hours to receive the standard full time pay.

But there is another issue around balanced job complexes that is not mainly about the practical difficulty of creating balanced complexes. There are situations in which people in a community may value the specific skills and contributions of certain people that they consider it a waste of the time and talents of these people for them to do as much tedious work as others. This does not imply that they should be paid more for their time or effort: the principle that pay differentials should reflect differences in effort, not contributions, is an entirely different matter. But it could well mean that the community could decide, democratically, not to strive for "balance" in the mix of tasks for some people or some kinds of jobs. This is similar to the issue of deciding to give workers extra pay for innovations, or to allow privately recruited investments for projects rejected by sector federations. Balanced job complexes may best reflect the specific ideal of justice in the organization of work, but justice is not the only value people in a participatory economy will care about, and so it is reasonable for people to be willing to trade-off some deviations from justice in order to better realize some other value.

How frequent is this situation likely to be? I really have no idea. If the income consequences of such deviations are modest (because pay continues to be tied to effort), and if the amount of paid work people do declines significantly because of a broader reordering of work and leisure for both environmental and life-style reasons, then balanced job complex may simply not be an

issue that people worry about so much. There is a very big difference between how salient this problem is in a world where the average work week was 15 hours compared to 40 hours.<sup>12</sup>

### ***Effort-rating as the basis for pay differentials***

A fairly broadly held position among people holding liberal egalitarian views of justice is that inequalities due to “brute luck” – things over which one has no control – are unjust. This is fairly close to Robin’s position, because it means that inequalities connected to natural talents are unjust. This also implies that inequalities in income due to education would be largely unjustified except insofar as acquiring education involves real sacrifices on the part of students, which – as Robin points out – is generally not the case in a participatory economy in which education is free and students receive an appropriate stipend for the effort involved in their studies. Robin goes one step further by categorically rejecting any inequality connected to “contribution,” even if everyone has the full opportunity to acquire the skills that enhance their productivity and thus their contribution. I broadly agree with this very general idea.<sup>13</sup>

There are a number of issues in the implementation of this ideal, however, which I do think are very difficult and which may, in the end, mean that simply paying everyone the same hourly remuneration may be better than trying to really evaluate their “effort.”

Robin argues that within workplaces people generally have a pretty good idea of how much effort different workmates expend since they will all be engaged in roughly similar job complexes and they closely observe each other. Workers should thus be able to make meaningful effort-ratings of fellow workers. Undoubtedly this is sometimes the case, but there are many kinds of work in which it is very difficult to really know how much effort someone is expending. The problem is that the relevant meaning of “effort” for purposes of assigning remuneration is “sacrifice” or “burden”. The basic idea is that in a cooperative endeavor people should equally share rewards and burdens, so if some people don’t “pull their weight” then it is legitimate to reward them less. But different people can experience the exact same intensity of work as very different levels of burden. Some professors find sitting at a desk and writing intensively for eight hours exhilarating; others find it torture. This is not just that some people find writing easy and other hard; some just find it more enjoyable and exciting, and thus less of a burden. The same issue can apply to physical exertion as well: depending on one’s level of fitness and one’s endorphins, intense physical labor can be a greater or lesser burden. Of course, sometimes it is possible to make roughly reliable judgments that someone is goofing off, not putting their mind to the task, not trying very hard. But this probably has more to do with a sense of their lack of diligence or responsibility, than actually effort or burden or

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<sup>12</sup> It is worth noting that the massive reduction of the work week was basically Marx’s conception of how this problem would be dealt with in a communist society: the “realm of necessity” – the amount of work that needed to be done to satisfy needs – would be dramatically reduced and the “realm of freedom” would expand.

<sup>13</sup> As in the earlier discussion of Robin’s potential willingness, on the grounds of incentives, to accept pay differentials for innovative behavior even though this violates effort-based pay, I assume more generally that he would regard some contribution-based pay differentials as legitimate if this was the result of a robust democratic decision.

sacrifice. If the morally salient issue is paying people according to real burden, then even within workplaces this will often not at all be easy to do to.

This problem of meaningfully comparing people's efforts becomes even more intractable across workplaces, at least if different workplaces involve very different kinds of tasks.<sup>14</sup> I honestly don't know if a diligent musician who practices five hours a day expends more effort or less effort than a diligent waiter in a restaurant or a diligent taxi-driver who works the same number of hours. But simply saying that the average work effort is the same across workplaces also doesn't seem plausible. I would find it an excruciating burden to collect tolls at a bridge four hours a day, but I find it a pleasure to write and lecture 60 hours a week. Which involves more "effort"? I would rather work 60 hours a week at my job than 20 hours a week as a toll collector even for the same overall pay, but many toll collectors would find it an enormous burden to spend as many hours a week as I do doing the "work" I do.<sup>15</sup>

I'm not sure what is the best way of dealing with these kinds of measurement problems. Robin's proposed solution to the possibility that average workplace effort levels vary significantly across workplaces is to calibrate the average effort in a workplace in terms of what he calls "the social benefit to cost ratio of each enterprise". We don't need to go into the technical details here, but basically he assumes that the only reason this ratio could be greater than 1.0 is if workers are expending more effort.<sup>16</sup> But as I have argued, workers may be working more intensively without this meaning that they are experiencing any greater burden or sacrifice. Paying them extra in this situation is directly paying them extra for the greater contribution they are making per hour of work (i.e. their more intense work does produce more output per hour), but not necessarily paying them more for extra burden or sacrifice. This may be desirable for motivational purposes, but it may end up being closer to a contribution-based remuneration scheme than a burden-based scheme.

Another way of assessing the burden of work in different kinds of workplace, of course, would simply to see how difficult it is to recruit people to different work settings. To the extent that balanced job complexes make work as interesting and enjoyable as possible within a workplace, the main reason why it would be difficult to recruit people to some kinds of workplaces was that the work itself was, over all, less attractive – i.e. more of a burden. Extra remuneration could be used then to recruit workers. This is not exactly the same sense of *effort*-burden Robin is talking about – this is more like *experience*-burden – but it still might better capture the ideal in question. It does, however, introduce something that looks more like a market mechanism for regulating the labor market: using higher wages to attract workers.

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<sup>14</sup> This problem of non-comparability of effort measures across workplaces is especially important because of the way aggregate effort ratings figure in all sorts of planning processes, not just individual remuneration. The resources available to a community for neighborhood public goods, for example, depend significantly on the aggregate effort rating of people in the neighborhood.

<sup>15</sup> I put the word "work" in quotes here because if I were independently wealthy and my income had nothing to do with my job, I would still pretty much do exactly what I currently do connected to my job.

<sup>16</sup> The idea is basically that if the qualities and costs of all inputs (especially labor) and outputs have been properly measured, then the only thing that could generate more total social benefit per unit of input cost would be that workers are working harder.

Given this array of problems, the best approximation of a remuneration system that tries to equalize the connection of rewards to burdens across workers may be simply to pay everyone the same hourly pay, perhaps with caps on the number of hours that can be counted as “work”, and then allow modest deviations for pragmatic reasons.<sup>17</sup> This does not mean abandoning the moral premises of the burden/reward equation. This principle could still play a role of a regulative ideal in the democratic deliberations over appropriate pay schemes, but it would not be the direct basis for differentiating pay across workers.

## CONCLUDING COMMENTS

Robin Hahnel’s exploration of the normative principles and institutional designs of a participatory economy, along with his earlier joint work with Michael Albert and Albert’s own treatise, *Parecon*, constitute one of the very few systematic contemporary attempts at elaborating a comprehensive model of an emancipatory alternative to capitalism. Even if it is the case that the specific institutional proposals would be unlikely to ever be adopted, even if ordinary people were fully empowered to do so, nevertheless elements of the models should certainly be part of any sustained discussion of transcending capitalism in a democratic, egalitarian direction. Perhaps even more crucially, since we are so distant from such a world, many of the ideas connected to participatory economics can be embodied in concrete projects of building alternative institutions inside of existing socio-economic systems.

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<sup>17</sup> The large, successful worker-owned construction cooperative in Copenhagen, Logik & Co, pays everyone exactly the same hourly wage – from the most senior to the most junior member, regardless of skills – but does not allow anyone to be paid for more than 40 hours a week. People often work more than that, but this is treated as reflecting how much they enjoy the process. Real slackers – which are rare – are dealt with through social sanctions and, potentially, expulsion. (This information was given me by a senior member of the cooperative during a visit there in 2012. I have not verified this account with more detailed research).