Reading Interrogations, week 3, February 6, 2018

Parecon vs democratic market socialism

1. Masoud Movahed

Last week, we read Erik Wright’s *Envisioning Real Utopias* which was both an incisive diagnosis of the harms of capitalism and an innovative theoretical framework for conceptualizing the goals of social change and the strategies for their realization. This week’s reading, however, focuses on the actual nitty-gritty of organizing economic resources in a post-capitalist economy. In *Alternatives to Capitalism*, Robin Hahnel and Erik Wight engage in a thoughtful but critical dialogue as to how a post-capitalist economy would look like. Having already produced numerous works of scholarship on alternatives to capitalism, both authors come equipped with deep knowledge of their subject, as scholars as well as practitioners. Since the 1990s, Robin Hahnel and Michael Albert have been designing a “participatory economics,” where only councils of consumers and workers plan consumption and production, where they coordinate aggregate demand and supply, and where they also in their way resolve the shortcomings by a process akin to “learning by doing”—what Hahnel coined “iteration facilitation board.”

The two authors thus in *Alternative to Capitalism* present their approaches and critically interrogate them. The book is divided in two main parts: each three chapters long. In the first chapter, Hahnel lays out his model of “participatory economics,” and Wright presents his critiques of the model in the second chapter. In the third chapter, Hahnel responds to Wright’s critiques. The structure of the second part is the same, but with the opposite order. The book does not have an overall conclusion, which would have been interesting to clearly see the areas of convergence and divergence in their views.

Wright and Hahnel agree that markets lack efficiency, undermine democratic power of the people, and do not account for negative externalities. Wright disagrees with Hahnel that obliterating markets *per se* may not be a realistic vision of a viable model in a post-capitalist economy. After all, as Wright himself suggests in chapter 4, markets are still the most efficient means of allocating resources and that the existing deficits of the markets can be curtailed via vigorously democratic regulations. In the following chapter (p.145) disagrees with Wright arguing that markets are intrinsically inimical to society and environment—and that the competitive forces of the market erode solidarity, community and trust. Markets have been implemented at global scale. But is it possible to meet the demands at global scale for 7 billion people through councils? Wright raises serious doubts about the ability of councils to coordinate supply and demand, production and consumption, of such vast variety of goods.

The inner-workings and mechanisms of Hahnel’s “participatory economics model” are so reminiscent of the Soviet Union’s planned economy, except that it is run democratically instead of planners determining what to produce and how much to supply, in Hahnel’s model, democratically elected councils of consumers and workers plan consumption and production respectively, and neighborhoods committees (again elected democratically) would have to keep track of people’s demands for goods. The first issue that is of utmost significance is that what guarantees that the councils—however democratic—that undertake production would remain immune to corruption, clientelism, patronage, and patrimonialism? It is now a stylized fact in social science research that even democratic institutions cannot go unscathed from the twin evils of bureaucratic paralysis and institutional patronage. What ensures that workers’ councils—and their functionaries—would not opt for concentration of their power during the time that they are in office since they control the supply of goods to their locality?
Moreover, since in Hahnel’s model there would not be any markets, and hence production is virtually immune from market competition, what then guarantees that the goods delivered to people are not poor-quality or fewer in numbers? Hahnel argues that “twentieth century planned economies did not experience major depressions, or even significant recessions caused by mutually reinforcing disequilibrating forces in markets that all too often go unchecked by sufficient countervailing fiscal and monetary policies in market economies” (p.41). But he omits that all those countries that experimented socialist planning constantly faced pent-up demands and shortages—and, of course, the goods delivered to people were shoddy.

The other issue of importance is investment. Hahnel discussed that the annual participatory planning puts forward an investment plan, but he did not specify where the money for investment would have to come from? (Taxes? National income? National savings?). If the annual participatory planning has to be geared towards raising the level of aggregate investment (which sometimes it would have to be) to make sure that the economy grows sufficiently, then how can we ensure that raising aggregate investment will not come at the cost of lowering consumption? In short, this was a very interesting book to read for me, knowing that adjudicating some of issues raised in the book are extremely complex.

2. Siying Fu

Questions: I have two sets of problems regarding the design of participatory planning as an institutional mechanism that embodies democratic egalitarian principle. The first one concerns the extent to which it is actually egalitarian, and the second concerns the role of the state as the regulatory body.

I want to first highlight the major virtue that I see in the participatory planning system designed by Professor Hahnel — that the negotiations are between councils, not individual people, and council is the smallest unit for all the evaluations of social benefits and social cost. In fact, the worker council proposals embody the principle of “from each according to ability,” and the consumer council proposals embody that of “to each according to need.” To adhere to this socialist principle with the unit being a collective body instead of individual person, I think would reinforce community solidarity and normative value.

However, an important question is how transparent this process can be practically — this leads to my first set of questions. In the first part of this reading, when Professor Hahnel describes the design of participatory planning as an institution, he puts great importance on “indicative prices,” which seems to be the anchor for everyone when making any plan. In fact, he defines “social benefit” as quantity of proposed output multiplied by the product’s indicative price, and “social cost” as quantity of proposed inputs for production times the indicative prices of the inputs. Then, the SB/SC ratio becomes the major, if not sole, standard for evaluating a proposal. If I have understood this correctly, then the IFB, whose sole responsibility seems to be determining and releasing the indicative prices for everything, is actually given significant power. I do not remember if Professor Hahnel has proposed a way to check-and-balance that power of the IFB. If this process of determining indicative prices is not 100% transparent and fair and just, the foundation of this entire institutional design would fall apart.

Another confusion I have regarding the degree of equality in a participatory economy is, how to ensure power balance between those at the later stage of the process (worker councils that produce more complicated consumer goods) and those at an early stage (worker councils that produce and supply intermediate goods that are used in further production)? As Professor Hahnel implies several
times in later parts of the reading, there will be worker councils who rely, for the production of the goods they are responsible for producing, on the supply of some other goods that other worker councils are responsible for producing (for example when he explains his reserved attitude towards innovative projects). Would this not result in power imbalance similar to that produced by today’s capitalist supply chain? Would the worker councils producing more complicated goods not have power over those producing the intermediate goods, such as in determining how exactly they want the intermediate goods to be, what the quality of the intermediate goods to be, etc.? Would the former councils also be able to choose between different worker councils producing the same kinds of intermediate goods? An extension to this question – how about the possibility of power imbalance among different consumer councils, among different worker councils, and between consumer councils and worker councils? If it is a complicated, entire economy of a society that we are dealing with, I believe the type of product matters crucially for social relations between social units, and there has to be a way to ensure that such relations do no end up dominitive and exploitative.

I realize I don’t have room for my second set of questions, but the main point I want to make is that the participatory planning economy, as described here, does not guarantee to be more fair, just, or efficient, than the current regulated market economy in most parts of the world. Although Professor Hahnel does not seem to want to include government, in its current form, in his envisioned economy, I believe a regulatory and administrative body much like what we call “the state” today is still necessary in the participatory planning economy. I totally agree with Erik in that the most desirable society should be a hybrid of participatory planning, the market, and the state. I think the state could act as the balance between market or quasi-market forces and participatory planning, to uphold egalitarian principles whenever the market should enter the picture, and make sure it does not bring about the same detrimental inequalities that it is producing in capitalist societies now. I would love to talk more about this on class, if anyone else is interested.

3. Maryam Ahmadi

Please correct me if I’m wrong, but what comes to my mind when thinking about real utopias is a proposal that can be implemented in micro-economic settings and then, through democratic procedures, could turn into a macro-economic entity. The reason why I’m concerned with micro-economic settings is that I could think of no other ways for the discourse of real utopias to be actualized considering their marginalized status as compared to hegemonic capitalist ideologies. I’m not saying that hegemony inherently blocks the formation of alternatives; rather, it suffocates the dissemination of alternative perspectives. Therefore, without an already functioning micro-economic exemplar, democratic procedures will just reproduce capitalist discourses. Micro-economic settings could provide a down-to-earth referent for the notorious signifier of utopia, and help construct fortresses within the territory of capitalism. This is what I think Robin’s participatory planning model lacks. In fact, there is an inconsistency between the ways in which Robin views his project. Whereas he starts by emphasizing the point that his project is not a “transition strategy or political program”(p. 2), he cannot cover the theoretical holes of the “organization of work and pay” without making references to the crucial role formal educational and political systems could play in changing minorities to majorities (p. 55). It makes me wonder if it is possible for his model (with special attention to the organization of work and pay) to be implemented in a micro-economic setting right away? If not, is it at all possible to offer a real utopia project without offering a transition strategy?

Commented [EOW10]: You have identified a number of real problems in the parecon model. The solutions to these issues all make the system more and more market-like. If a council can choose which firm provides a specific intermediate good, then it is hard to see how this would not imply in practice competition for contracts.

Commented [EOW11]: I think you are correct here that Hahnel does not present a plausible transition model. He does argue that there are all sorts of participatory planning processes that can be introduced incrementally and which in different ways prefigure elements of a parecon system – worker cooperatives and municipal participatory budgets, for example. But while these show that “participation” can work, they really are not partial forms of a parecon planning system. In the end, Hahnel thus does seem to invoke the need for a ruptural break as a condition for implementing parecon.
4. Sara

If Hahnel were to read the following short critique, I’m afraid he would find it especially irksome; I have few misgivings about his specific participatory planning procedure (though I wish he would flesh out processes pertaining to citizen education, facilitation within and among consumer councils, and fostering and maintaining requisite social trust) but find the idea of central planning disagreeable—and perhaps even anti-socialist and therefore have trouble entertaining his proposal. I do not reject comprehensive economic planning out of fears of inefficiency or authoritarian impulse (the only two critiques Hahnel mentions); central planning can be efficient and democratic—it can even enable the subordination of economic power to social power—and still be anti-socialist.

Admittedly, perhaps I hold an outmoded view of socialist human flourishing (derived largely from Marx’s early writings on species-being detailed in The Economic and Philosophic Manuscripts of 1844 and elsewhere). In a word, I partly measure human flourishing by the possibilities afforded for the pursuit of creative labor—the ability to transform nature and to transform oneself in turn. If all labor inputs and consumption estimates are known in advance, this seems to contradict the entire project of the creative application of and pursuit of one’s productive capacities. The whole beauty of non-alienated labor as Marx conceives of it is that it is biologically and socially underspecified. Even if workers can propose activity plans (and cook up the sorts of projects they want to engage in that year), they lose the creative potentiality of spontaneous work, or, at least, it is necessarily relegated to a side project. It is hard to envisage a system of central planning that wouldn’t constrain our expressive capacities. Freedom from unceasing toil (through rotating jobs) and freedom to structure economic activity according to collective needs and abilities do not automatically translate to robust flourishing.

5. Annaliese Grant

When I first began reading about the Parecon system, I was excited/interested in the aspect which seems to transfer consumptive power from how much effort you put in, particularly what this means in terms of disability in society. I started thinking of all the hours of effort I have spent as a caretaker for disabled parents or all of the effort they have to put into things able-bodied people can do easily (things like walking, bending down to pick something up, even getting up from sitting down at times) and how this rewards system for “effort” might be one way to radically change a system which only rewards being a particular kind of productive in a particularly-functioning economy. However, as I read further, it became more clear that what is meant by “effort” is not necessarily personal effort to keep oneself alive or going in the world, but still a particularly productive “effort.” Erik summarizes Hahnel’s take on effort when he writes, “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” (35). There seems to be a focus on workplaces and on the necessity of “social benefit” when thinking about “effort.” My question, then, becomes one about how we may fit disability into this model. Is being able to get up on one’s own a “social good” in that it prevents extra effort from others in the community from having to do this labor? Is it still unproductive because it only helps oneself? What happens when someone has depression or anxiety and things that may take little effort for some (like getting out of bed), take others an immense amount of effort? If the efforts of disabled individuals is still effort in a parecon, then how do we prevent “effort” from becoming just another unequally distributed and unequally rewarded concept like labor?
6. Wendy Y. Li

How does one measure social costs? In Robin Hahnel’s proposal for participatory economics, measurement by the “iteration facilitation board” informs every aspect of consumption and production in a community. Hahnel proposes that the IFB quantifies what economists would today call “externalities”—costs or benefits incurred by society, rather than the individual. When policymakers and economists answer critiques of capitalism, they often point to externalities as the source of market failure—this is what causes environmental pollution, smoking, or the spread of infectious disease. In public policy orthodoxy, this is where the state comes in—to enforce environmental regulations or a carbon market, to enact a pigouvian tax, or to subsidize the production of vaccines.

The problem with all of these programs is that externalities are hard to measure. I see no reason why the IFB wouldn’t have the same issues. There are some externalities, like pollution, that can be quantified by soil measurements, air particulate indices, or water quality tests. But what about other actions that shape economic behavior? Economic sociologists have documented how some “immutable qualities” like race and gender affect economic decisionmaking. Furthermore, unless everyone somehow erases their cultural histories, certain religious or normative beliefs will continue to structure economic behavior. How would an IFB measure qualitative, but nonetheless important concepts of social good, such as cultural inclusivity or gender equity in the workplace, or social ill, such as toxic masculinity or beauty standards?

Furthermore, the act of measuring is itself a mechanism to exercise power. Assuming that we are operating under limited resources and time, some things will get measured, while others won’t. Who gets to decide what is measured? A main critique in the field of feminist economics is the problem of measuring subjective, but important components of women’s quality of life. Of course, this measurement problem doesn’t only extend to women’s issues, but these problems seem to manifest most strongly here, because the way we conceive of measurement is still highly patriarchal. For example, development economists often use basic indicators of educational achievement or health outcomes to assess the efficacy of a project. But these indicators fail to measure other important questions—what did these women study in school? Did their experiences in school give them greater agency in adulthood, or did their education confine them to a specific way of life? Does the fact that a woman may seem physically healthy reflect other aspects of health (mental, emotional)? Even if she has access to menstrual products, does she experience pain or stigma when menstruating? Even if she had healthy pregnancies free of complication, was she also able to control when and with whom she had children? These are difficult questions to answer, let alone measure. But they are crucial to assessing the social costs and benefits of any policy proposal.

Commented [EOW16]: You have identified a critical problem: The externalities—measurement problem is really fundamental to any project for economic democracy, not just the specific parecon formulation. Everyone knows that pure markets cannot translate externalities, positive or negative, into prices. Pigouvian taxes – taxes that are set in such a way as to equal the social costs of a negative externality — are one way of implementing a correction, but of course this is meaningless unless one can properly measure the social costs. Here is where Parecon does have a kind of novel proposal — although I think it is still pretty hard to really figure out how it would actually work. Basically, people are asked — in their status as members of consumer federations, not as isolated persons — how much they need to be paid to accept the negative externality (say pollution). This is negotiated through some sort of participatory deliberative democratic process. Given the egalitarian background conditions, this respects the trade-offs people have for wanting more consumption but accepting more pollution. I suppose the same thing would operate for positive externalities in terms of subsidy transfers to producers: both negative and positive externality costs would be termed through the iterated planning processes in which people put in proposals for how much of any positive or negative externality they accept in their consumption plan.

7. Jesse Benn

“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 Robin’s opening contribution and 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 invulnerable to opportunism by individuals or groups.” — p. 15

This was where reading the first chapter left me as well, and by the end of the book I can’t say I was much further along to really picturing how this transformed society rooted in participatory
budgeting (planning) would look in practice. How can we help people better imagine real utopias like participatory budgeting (planning) by putting the idea of how it will work in more evocative and understandable terms? It seems like there’s a necessary emotional component here needed to motivate people (both away from their allegiance to the current system and toward alternatives) – how can we better incorporate that element into our analysis? Maybe fictive literature works better than straight social science in this regard – is there a way to better walk the line between the two?

Two other points that seem worth discussing.

1. There’s only one mention of disability in the book as far as I can tell (p. 16). The focus on workers seems exclusionary for those unable to work for various reasons, so some more discussion on how any transformed society will empower people outside the workforce would be useful.

2. “Relatively few people today - even those who still work within the Marxist tradition - feel confident that capitalism will destroy itself.” - Alternatives To Capitalism: Proposals For A Democratic Economy (Kindle Locations 1512-1513). New Left Project.

Is this true? It seems like in combination with climate change capitalism is destined to destroy itself and the rest of the world with it. In this regard it seems like ruptural strategies for transformative change might be more relevant as ruptural change seems to be coming one way or another. If this is the case, it seems like a strategy combining interstitial strategies with ruptural strategies might be a better focus than the combination of interstitial and symbiotic strategies. In other words, would we be better off working to build alternatives to the state in preparation for the downfall/transition climate change will eventually impose, rather than working to institutionalize interstitial changes via the state?

8. Youbin Kang

The debate between Wright and Hahnel on planning and market mechanisms proceed in different ways. While Hahnel argues for participatory planning procedures through worker and consumer councils, Wright is a proponent for market mechanisms with conditions about costs of externalities in price of goods that consumers purchase personally, and deliberative models for public goods. Wright’s argument is more convincing in his discussion of the dangers, bureaucratic costs, and lack of clarity underlying the control of private consumption. On the other hand, comparing this to the public sector, Wright introduces an important distinction between “public goods connected to people as consumers and public goods that are linked to their status as citizens.” (p.23). Wright’s discussion and distinction between private and public goods raises consequences and questions about employment and wages in the private and public sector. He proposes a universal basic income and a same hourly pay deliberated by councils, but I found it unclear how this might work given the different governance system in the private and public system. Changes in wages for private sector workers may have immediate consequences for the competitive advantages of the market-based arrangement, but state workers face conditions in which the governing body (whether workplace councils or a centralized institution) is relatively freer to set wage levels because they have more control. Strong incentives exist to maintain high employment levels in the public sector, especially in times of underemployment created by the parallel market economy, in the private sector. These dynamics create the incentives for public sector workers to increase wages above “market” wage levels. In Erik’s formulation how would
employment and wage concerns be different between private and public sector? Is the parecon public sector to be designed to absorb private sector underemployment? Would UBI mitigate market mechanisms? Or are the two different labor markets fine as is without creating any serious consequences for inequalities?

9. Maryanne Schiffman

I was really struck by this statement from Robin:

“By the late 1960’s most Cubans believed that those who had the good fortune to receive more education owed society more, rather than being owed more by society” (56, fn 35).

This illustrates a subtext running through the debate, that although changes in attitudes are required to transform economic structures to create more just societies, it is also true that more egalitarian structures themselves can change attitudes, which in turn can transform behaviors, creating more just societies. I wonder then, what the “psychological domino effect” of a Parecon labor compensation system would be on the social value (“prestige”) associated with currently underpaid and disparaged work now relegated to immigrants -- and what ramifications this would have for our societies. For example, would the burden-based compensation and/or extra recruitment remuneration principles that would certainly increase the pay of those who harvest our food affect the viability of our current food production systems? Would these increased labor costs force a transformation in the way we produce food, perhaps to hydroponics or an entirely cooperative system of farming? And would setting compensation for agricultural work equal to -- or higher than -- pay for other jobs increase the attraction of being a harvest worker such that people would want to become cooperative farmers instead of lawyers?

This two way relationship of structure to mindset/behavior might also inform the “problem of the size 6½ purple women’s high-heeled leatherless shoe with a yellow toe” (40) in that, as production is transformed to a more need-oriented design, and with people having their basic needs met (and being allowed to flourish), perhaps consumers will not think it so important to have every color of shoe available to them at a moment’s notice, and will be happy to choose from the color of shoes that are available. Finally, the idea that structure can change attitudes and behavior supports Erik’s argument for a strategy that combines interstitial and symbiotic transformation to “prefigure more comprehensive alternatives and move us in the direction of those alternatives” (89), as well as Robin’s argument that “any reform can be fought for in ways that make further progress more likely” (95). For this reason it seems somewhat ironic to me that Robin argues

“Those who foolishly root for worsening conditions because they believe it will drive people to rebel more quickly are prime examples of radicals who have failed to learn this important lesson. Those who capitalism victims learn quickly to despise any who display this attitude, as they should.” (95, fn. 54)

This makes me wonder what Robin thinks about the (horrifying but potentially) transformative potential of the Trump presidency. Aren’t we now seeing a “whet[ing] [of] reformers’ appetite for more economic democracy, more economic justice, and more environmental protection than capitalism can provide” similar to that which he lauds in reformist campaigns (95)? The above statement fails to acknowledge (but perhaps he discusses elsewhere) that there is arguably a “spectrum of worsening conditions” that can “drive people to rebel more quickly,” and that sometimes the more comfortable in society have to have a fire lit under their butts to move forward.