PROMOTING SOLIDARITY IN A PARTICIPATORY ECONOMY

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Anarchists' desire for solidarity has too often led us to assume that once capitalist impediments are removed solidarity will simply blossom and flourish. But moving on from the economics of competition and greed to the economics of equitable cooperation is not that simple! Capitalism has already survived long enough to ingrain habits and expectations which cannot simply be willed away. And therefore, we must design procedures *which do not assume but instead encourage and nurture solidarity among people to grow.* A participatory economy is self-consciously designed to accomplish this task in a variety of ways.

THE OLDEST CRITIQUE OF CAPITALISM

Disgust with the commercialization of human relationships is as old as commerce itself. The spread of markets in eighteenth century England led Edmund Burke to reflect:

> The age of chivalry is gone. The age of sophists, economists, and calculators is upon us; and the glory of Europe is extinguished forever!

Thomas Carlyle prophesized:

> Never on this Earth, was the relation of man to man long carried on by cash-payment alone. If, at any time, a philosophy of laissez-faire, competition, and supply-and-demand start up as the exponent of human relations, expect that it will end soon.[1]

And of course, running through all his critiques of capitalism, Karl Marx complained that markets gradually turn everything into a commodity and, in the process, corrode social values and undermine community.

> With the spread of markets there came a time when everything that people had considered as inalienable became an object of exchange, of traffic, and could be alienated. This is the time when virtue, love, conviction, knowledge, conscience, etc. passed into commerce. It is the time of general corruption, of universal venality. It has left remaining no other nexus between man and man other than naked self-interest and callous cash payment.[2]

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[1] Unfortunately, market economies have lasted far longer than Carlyle imagined was possible back in the seventeen hundreds!

[2] Marx, Karl. 1955. *The Poverty of Philosophy*. Moscow USSR: Progress Publishers.

SYNOPSIS

- We humans are capable of wishing our fellow human beings well and acting in solidarity with others. But we are also capable of being selfish and envious of others.

- A major reason that libertarian socialists want to replace capitalist economies is because we believe private enterprises and markets reward and encourage selfishness and discourage and penalize solidarity.

- Many libertarian socialists consider it obvious that nurturing the human potential for solidarity is preferable to encouraging our capacities to be selfish. Nonetheless, I will begin by briefly making the case for WHY it is better to encourage solidarity rather than selfishness, and WHY markets do just the opposite.

- After which I will move on to explain at greater length specific ways in which the non-market economic system known as a *participatory economy* is self-consciously designed to promote rather than assume solidarity.

SOLIDARITY

When proponents of participatory economics use the word "solidarity" we simply mean *having concern for the well-being of others and granting others the same consideration in their endeavors as we ask for ourselves*. Empathy and respect for others have been formulated as a "golden rule" by religions and as a "categorical imperative" by philosophers. And solidarity is widely believed to be a powerful creator of wellbeing. Solidarity among family members, between members of the same tribe, and within an ethnic group frequently generates wellbeing far beyond what would be possible based on material resources alone. But in mainstream economics concern for others is defined as an "interpersonal externality" -- a nasty sounding habit! -- and justification is demanded for *why* encouraging solidarity is a good thing.

AN ECONOMIST'S CASE FOR PROMOTING SOLIDARITY

Sociability is an important part of human nature. Our desires develop in interaction with others. One of the strongest human drives is the never-ending search for respect and esteem from others. All this is a consequence of our innate sociability. Because our lives are largely joint endeavors, it makes sense that we would seek the approval of others. Since many of our needs are best fulfilled by what others do for/with us, it makes sense to want to be well regarded by others.

Compare two different ways in which an individual can gain esteem and respect from others. One way awards status by elevating someone above others, by positioning them in a status hierarchy that is a pyramid of relative rankings according to some established criteria. For one individual to gain esteem in this way it is necessary that others below them in the hierarchy lose esteem, and we have a negative sum game since those who are lower in hierarchies invariably outnumber those above them.

A second way for people to gain esteem from others is for people to feel and express concern for one another's wellbeing out of group solidarity. Solidarity establishes a predisposition to consider other's needs as if they were one's own, and to recognize the value of other's contributions to the group's social endeavors. Any group characteristic that enhances the overall wellbeing members can obtain from a given set of scarce material resources is advantageous. Solidarity is one such group characteristic. And therefore, economic institutions which enhance feelings of solidarity are preferable to economic institutions that undermine solidarity among those whose behavior they govern.

In economics lingo *solidarity is a positive-sum game*. And to be candid, only in societies as socially disoriented as ours, and only for an audience of economists is it necessary to "prove" something this obvious!

AVOIDING THE WORST VERSION OF OURSELVES

What the oldest critique of markets by those such as Burke, Carlyle, and Marx amounts to is an objection to organizing economic cooperation in a way that is personally distasteful, demeaning, and sours human relations. It is an objection to forms of interaction that are mean spirited and hostile. It is a nostalgic cry for alternative forms of cooperation that are respectful and empathetic. And it is a gnawing dread that the detrimental effects of markets on human relations will prove to be far from trivial.

Markets harness our creative capacities and energies by arranging for other people to threaten our livelihoods. Markets bribe us with the lure of luxury beyond what others can have and beyond what we know we deserve. Markets reward those who are the most adept at taking advantage of others, and penalize those who insist, illogically, on pursuing the golden rule: *Do unto others, as you would have them do unto you*. And markets systematically disenfranchise those who we economists refer to as "external parties" to market transactions.

Of course, we are told we can personally benefit in a market system by being of service to others. But we also know we can often benefit more easily by taking advantage of others. In every market transaction, the seller is trying to take advantage of the buyer, and the buyer is trying to take advantage of the seller. Moreover, in every market transaction both the buyer and the seller have every incentive to ignore the interests of anyone else besides themselves who might be affected by the decision they agree on. And because the market decision making process disenfranchises all who are neither the buyer nor the seller, no matter how much they may also be affected by the decision the buyer and seller come to, the market decision making system is palpably undemocratic and inefficient. In short, markets "work" by disenfranchising all who economists call external parties and stimulating greed and fear, all while undermining trust and solidarity needed to build an economics of equitable cooperation.

THE "TINA" DEFENSE OF CAPITALISM

Capitalism is incompatible with the best of human potential -- which is why we should replace it with an economic system which is not! But unfortunately, capitalism *is* compatible with some of our worst potentials. No economic system totally at odds with human nature could possibly survive as long as capitalism already has if it did not resonate with some part of what human beings can become.

Defenders of capitalism play on this fact by claiming that humans can *only* be reliably motivated by greed and fear, that most people are *incapable* of making good economic decisions and must be told what to do by their betters; and therefore, we can only hope that placing most under the command of a few and forcing the greedy and fearful to compete against one another in markets will yield reasonably desirable outcomes. What this time honored "human nature" defense of capitalism, which was popularized by Prime Minister Margaret Thatcher under the slogan "There Is No Alternative" or TINA, amounts to is the defense of a sorry-assed economic system as our destiny because we are a sorry-assed species. But we are not as sorry-assed as these cynics would have us believe!

SELF INTEREST *AND* SOCIAL INTEREST

Throughout history many people have chosen to behave in ways they deemed to be in the social interest even though they had good reason to believe their behavior was contrary to their personal, self-interest. Moreover, recent research in evolutionary biology and evolutionary game theory suggest that not only have successful societies developed social norms to induce such behavior, but there is every reason to believe natural selection would have favored genetic dispositions toward behavior that helped the group and not just the individual, survive.

However, it is highly unlikely that natural selection failed to reward what we should think of as a "healthy self-regard" in a species capable of purposeful action. Moreover, any dispassionate review of human history would be hard pressed to deny that people often *do* act according to their perceptions of what serves their self-interest. While social norms and circumstances can greatly affect the degree to which people will favor self-interest over social-interest when the two are in conflict, we should not see our goal as eliminating self-interest through rhetorical appeal or social pressure.

The question is not if people serve the social interest *or* their self-interest. Humans are genetically programmed to serve *both* the social interest *and* their self-interest, and it is unrealistic to believe that a significant portion of the body politic can be relied on to consistently behave in ways they have good reason to believe are contrary to their self-interest, no matter how strong calls for self-sacrifice may be. People do have a regard for the social interest, and *all things being equal* there is good reason to believe we can rely on most people to act in the social interest. But it is quite another thing to expect people to serve the social interest when they must do so to the detriment of their own personal well-being.

> *Our job is to find ways to no longer put people in this quandary. If we want socially responsible behavior, then we must design an economy that no longer punishes people who behave in socially responsible ways and rewards people for behaving in socially irresponsible ways.*

The fallacy in the TINA “human nature” defense of capitalism is not that people won’t act out of greed and fear, because in an economic system that systematically rewards greedy and fearful behavior many of us will often behave in these ways. The fallacy is in asserting that in a system where people are rewarded for embracing a fair distribution of the burdens and benefits of economic activity, and where people are rewarded not punished for acting in solidarity with others, that we are incapable of doing so. The fact that we can see people behaving in these positive ways every day despite powerful disincentives to do so is clear evidence that such behavior is not beyond human capabilities, and therefore that TINA is nothing more than a desperate assertion made by those who are hard pressed to defend capitalism on its merits.

SOLIDARITY: TO BE NURTURED NOT ASSUMED

We see solidarity as a product of people's historical experience. Too often people could not trust others to treat them fairly, or behave in socially responsible ways. Only when there is a new track record of people being treated fairly by others do we expect people to overcome their mistrust of one another. In short, *trust is a prerequisite for solidarity, and trust must be earned, not simply assumed or commanded*. Increasing solidarity is an important measure of social progress, but it will be strengthened primarily by creating a different historical legacy, rather than through exhortation or by heroic example of a faithful few. And the different historical legacy will be created by eliminating the conflict between social and self-interest, not by eliminating people's self-regard. Finally, I want to state the case for *why* markets are to be avoided whenever and wherever possible in the strongest possible terms.

MARKETS ARE *CANCER* TO THE SOCIALIST PROJECT

I use the word "cancer" not to shock but because I believe it is apt and not hyperbole. Cancer begins as a small malignancy, a cellular dysfunction, which spreads until it destroys an entire organism. And that is the image I wish to convey for why we should fear permitting markets to continue to play a role in a truly desirable economy. That is why we should search for other ways to respond to situations which make markets tempting.

People will sometimes spontaneously engage in market behaviour, and as I discuss in closing, resorting to markets when plans need adjusting will no doubt prove tempting! So, I understand why people may feel that objecting to even "a dash" of markets is over-zealous. Which would indeed be true if a dash of markets were like a dash of salt. But if a dash of markets is like a dash of cancer which can grow and destroy the social basis for equitable cooperation, that is quite another matter.

Now, it is finally time for me to get down to work and explain the various ways in which we have avoided putting people in situations in which the rational response is to try to take advantage of others in order not to be taken advantage of oneself.

A PARTICIPATORY ECONOMY IS A *PLANNED* ECONOMY!

In a participatory economy what will be produced, how it will be produced, and how it will be distributed are *all* decided by "participatory" planning procedures. And when unforeseen events lead to the need to adjust annual plans, investment plans, and long-run development plans, we propose ways to make necessary adjustments *other than* by allowing buyers and sellers to haggle with one another however they see fit. In short, a participatory economy is a planned economy and *not* a market system.

THE CHALLENGE

How can we empower worker and consumer councils while protecting the interests of others in the economy who are affected by what these councils do? How can we give groups of workers *user rights* over parts of *society's* productive commons without allowing them to benefit unfairly from productive resources which belong to, and should benefit everyone?

What socialists have long understood is that what any one group in an economy does will inevitably affect many others. The conclusion many socialists draw from this fact is that democratic economic planning must allow all to have a voice and say regarding all economic decisions. This, of course, is correct as far as it goes. *But different decisions do not usually affect everyone to the same extent.*

THE FUNDAMENTAL DILEMMA OF DEMOCRATIC PLANNING

One might call this the *fundamental dilemma* of democratic economic planning:

> *How can we give people decision making power* ***to the degree*** *they are affected by different economic decisions? Most economic decisions do affect many people, but to differing degrees. The challenge is how to give workers and consumers in their own councils an appropriate degree of autonomy over what they do.*

Moreover, encouraging popular participation in economic decision-making faces tough challenges. Those who do the work have been discouraged from participating in economic decision making ever since humans “ascended” from more egalitarian hunting and gathering societies to class systems with ruling elites. For the past three hundred years workers have been taught they are incapable of making important economic decisions, and to thank their lucky stars they have capitalist employers and managers to do their thinking for them.

Developing a participatory culture which encourages those who have long been a silenced majority inside their workplaces to actively participate in deciding what they will produce and how they will produce it is difficult enough even though these decisions have immediate and palpable impacts on workers’ daily lives. Encouraging popular participation in coordinating the interrelated activities of millions of different workplaces and neighborhoods during annual participatory planning will be even more difficult. And, as we will see, encouraging participation in investment and long-run development planning where the relevance of those decisions to one’s personal life is more attenuated and less obvious will be even more difficult. *Yet this is the historical legacy of capitalist alienation we must overcome.*

And make no mistake about it, the price of failure is monstrous! Biologists teach us that nature abhors an ecological vacuum, by which they mean that in complex ecological systems any empty niche will quickly be filled by some organism or another.

> *If there is a single lesson we should learn from human history it is that society abhors a power vacuum.*

If people do not control their own lives, then someone else will. Capitalists have been only too happy to fill this vacuum and tell their employees what to produce and how to produce it for over three hundred years. And the most important lesson we should learn from the history of twentieth century Communist economies is that even after capitalists are gone, if workers and consumers do not run the economy themselves, an economic elite of central planners and plant managers will soon rise to do it for them.

So, the challenge is: How can we give workers and consumers in their councils the autonomy necessary to stimulate them to become and remain active participants in economic decision making, while ensuring that worker and consumer councils do not make choices that are socially irresponsible? How is it possible to grant small groups of workers and consumers enough autonomy to encourage them to put time and effort into participating, without disenfranchising others who are affected by the decisions they make, even though it be to a lesser extent? How can we grant groups of workers the right to use some of society's productive resources as they would like without allowing them to benefit unfairly from doing so? And finally, how can we convince ordinary workers and consumers who have been discouraged in every conceivable way from trying to participate in economic decision making that things will now be different, and participation will finally be worth their while?

ANNUAL PARTICIPATORY PLANNING

The participants in our annual participatory planning procedure are worker councils and federations, consumer councils and federations, and an Iteration Facilitation Board or IFB which plays a perfunctory role. Conceptually, annual participatory planning is quite simple:

(1) At the beginning of each round of planning the IFB announces current estimates of the opportunity costs of using all natural resources, all categories of labor, and all capital goods available for use, and current estimates of the social cost of producing different capital goods, intermediate goods, consumption goods and services. These estimates can be thought of as "indicative prices" since they provide useful "indications" of what it costs society when we use different primary inputs, and what it costs society to produce different goods and services. In other words, the phrase "indicative prices" refers to what economists call estimates of opportunity costs and social costs.

(2) *Neighborhood consumer councils* respond by making consumption proposals. That is, they propose what goods and services their households want to consume. *Worker councils* respond by making production proposals. That is, they propose what "outputs" they want to produce and the "inputs" they want permission to use to accomplish this -- including not only intermediate goods they need from other worker councils and capital goods they want to use, but any natural resources and different kinds of labor they would need as well.

(3) The IFB adds up all the demands for and supplies of each final good, intermediate good, capital good, natural resource, and each category of labor, and adjusts its estimate of the opportunity or social cost of the good -- its "indicative price" -- up or down in proportion to the degree of its excess demand or supply.

These three steps are repeated in subsequent rounds, or “iterations,” until there is no longer any excess demand for any final or intermediate good, capital stock, natural resource, or category of labor.

We have demonstrated that under assumptions about technologies and preferences which are standard in the economic literature each round in this social, iterative procedure will begin with new, more accurate estimates of opportunity and social costs, followed by revised proposals from all councils and federations in light of new information the revised “indicative prices” signal about how their desires affect others. Each council must revise and resubmit its own proposal until it meets with approval from other councils and federations. This planning procedure repeats itself until a feasible, comprehensive plan for the year is reached, i.e. a plan where everything someone is counting on will be available.

Consumption council proposals are evaluated by multiplying the quantity of every good or service requested by the estimated social cost of producing a unit of the good or service, to be compared to the average effort rating plus allowances of the households in the consumption council requesting the goods and services.

Production proposals from worker councils are evaluated by comparing the estimated social benefits of outputs to the estimated social cost of inputs. In any round of the planning procedure the social benefits of a production proposal are calculated simply by multiplying quantities of proposed outputs by their “indicative” prices and summing, and social costs of a production proposal are calculated by multiplying inputs requested by their “indicative” prices and summing. If the *marginal social benefit to cost ratio* of a production proposal exceeds one, everyone else in the economy should be better off by allowing the worker council to do what they have proposed. On the other hand, if the marginal social benefit to cost ratio is less than one the rest of society would presumably be worse off if the workers went ahead and did what they have proposed.

In effect this procedure "whittles down" overly ambitious proposals submitted by worker and consumer councils about what they would like to do to a "feasible" plan where everything someone is expecting to be able to use will be available. Consumer councils requesting more than their effort ratings and allowances warrant must either reduce the amounts they request or shift their requests to less socially costly items if they expect to win the approval of other councils who have no reason to approve consumption requests whose social costs are not justified by the sacrifices of those making them. Similarly, worker councils must either increase their efforts, shift toward producing a more desirable mix of outputs, or shift to a less costly mix of inputs to win approval for their proposals from other councils who have no reason to approve production proposals whose social costs exceed their social benefits.

Efficiency is promoted as consumers and workers attempt to shift their proposals in response to updated information about opportunity and social costs to avoid reductions in consumption or increases in work effort. Equity is promoted when further shifting is insufficient to win approval from fellow consumers and workers which can only be achieved through consumption reduction or greater work effort. As iterations proceed, consumption and production proposals move closer to mutual feasibility, and estimates more closely approximate true opportunity and social costs as the procedure generates both equity and efficiency. Of course, there are a host of technical issues and concerns which we have addressed over the years. But this is what it boils down to:

When worker councils make proposals, they are asking permission to use productive resources that belong to everyone. In effect their proposals say: "If the rest of you, with whom we are engaged in a cooperative division of labor, agree to allow us to use these productive resources belonging to all of us as inputs, then we promise to deliver the following goods and services as outputs for others to use." When consumer councils make proposals, they are asking permission to consume goods and services whose production entails social costs. In effect their proposals say: "We believe the effort ratings we received from our coworkers, together with allowances members of households have been granted, indicate that we deserve the right to consume goods and services whose production entails an equivalent level of cost to society." The planning procedure is designed to make clear when a worker council's production proposal is inefficient and when a consumption council's proposal is unfair and allows other worker and consumer councils to deny approval for proposals when they seem to be inefficient or unfair.

However, *initial self-activity proposals*, and *all revisions* of proposals, are *entirely up to each worker and consumer council itself*. In other words, if a worker council production proposal or neighborhood council consumption proposal is not approved, the council which made the proposal and nobody else can revise its proposal for resubmission in the next round of the planning procedure. *As far as we know this aspect of our participatory planning procedure distinguishes it from all other planning models in the literature, which we believe is crucial if workers and consumers are to enjoy meaningful self-management.*

PROMOTING SOLIDARITY DURING ANNUAL PLANNING

In workplaces solidarity will largely consist of agreeing on compensation based on efforts, sacrifices, and needs. While we do not recommend that external agencies impose these criteria which we believe would be counterproductive, we *highly recommend* that socialist political parties and socialist groups within workplaces in participatory economies lobby vigorously for and champion these criteria during annual participatory planning right from the start. But since we believe that true social progress often proceeds unevenly, we anticipate that some worker councils will embrace these criteria more rapidly than others. Although we believe this process can eventually lead a vast majority of worker councils to adopt a system of compensation based on need alone on their own.

INVESTMENT AND DEVELOPMENT PLANNING

Short-run investment plans traditionally cover a decade. But three long-run development plans covering many decades will be needed as well -- a long-run education plan, a long-run environmental plan, and a long-run international economic plan.

In all cases our proposals are guided by three goals: We want investment and development plans to be as efficient as possible. We want to encourage popular participation in both the formation and approval of investment and development plans. And we want our planning procedures to encourage solidarity by putting people in situations where their personal interests and those of others are in harmony not conflict.

New Problems: During investment and development planning we face three problems which do not arise during annual planning:

1. Future generations cannot be present when long-run plans are created, so their interests must somehow be protected as the present generation deliberates. Clearly, this problem is more acute for long-run development plans because they stretch over many more years than short-run investment plans.

2. Whereas present technologies and preferences are known to workers and consumers, future technologies and preferences can only be estimated with uncertainty. And again, since development plans stretch over more years than short investment plans, this problem is even more acute for long-run development planning than for short-run investment planning.

3. Federations, where deliberations are conducted by *delegates* who *represent* workers and consumers, and ministries and their staffs necessarily play a larger role in development planning. This means it is even harder to stimulate popular participation by ordinary people during development planning than during annual planning.

A Generational Equity Constraint: To address the absence of future generations and help induce the present generation to behave as "honest brokers" regarding the interests of future generations we propose that all plans must satisfy a "Generational Equity Constraint" limiting the difference in aggregate consumption in adjacent years of any plan to some percentage. For an in-depth explanation of *how and why* our Generational Equity Constraint makes it risky for those in the present generation to try to benefit themselves at the expense of future generations see pages 225-226 in my *Democratic Economic Planning* (Routledge, 2021.)

In any case, the Generational Equity Constraint is our major suggestion for how to induce the present generation to behave in solidarity with future generations. But notice, we have neither compelled them to do so, nor simply assumed that they will choose to do so, particularly initially. Instead, we have proposed an "institutional inducement" to help promote this outcome until it may become a habit nobody any longer questions. The Generational Equity Constraint applies not only to short-run investment planning but to all the different long-run development planning procedures as well and is the principal way we propose to help solidarity towards future generations grow and flourish.

Short-run Investment Planning: These plans decide how to divide production between consumption goods and capital goods over roughly a ten-year period. We identify who is best suited to make the case for producing more consumption goods, and who is best suited to make the case for producing more capital goods, taking both access to information and self-interest into account. And we propose that the National Federation of Consumer Councils, assisted by its R&D department, estimate changes in future consumers' preferences. And we propose that the National Federation of Worker Councils, with input from both its R&D department and industry federations of worker councils, estimate changes in future production technologies.

Together with information about the benefits of more consumption now from the most recent annual plan, these estimates are sufficient to allow the staff of an Investment Planning Agency to calculate the optimal level of saving and investment for each year covered by the investment plan. We also explained how subsequent annual plans will reveal any mistakes in estimations on the part of the National Federation of Consumer Councils and National Federation of Worker Councils, which provides an opportunity to revise and update estimates and recalculate an investment plan for the remaining years to mitigate welfare losses from inaccurate estimates.

Long-run Education Planning: We recommend that delegates to industry federations of worker councils work together with officials in the Ministry of Education to estimate both the production benefits and the social costs of more education. We propose that delegates to the National Federation of Consumer Councils together with officials from Ministry of Education estimate the long-term personal benefits from education. And we recommend that the national legislature in consultation with the Ministry of Education be charged with providing planners with estimates of the political "capacitation" benefits of additional education. We identified the Ministry of Education and industry federations as the best advocates for more education, and the National Federation of Consumer Councils as the best advocate for more consumption and less investment of any kind. And we explained how information which becomes available from subsequent annual plans cannot only be used to update education plans to make them more efficient but can also act as restraints on participants who might be tempted to over or under exaggerate estimates of benefits and costs of investment in education.

Long-run Environmental Planning: In the case of environmental planning we recommend that delegates to the National Federation of Consumer Councils estimate what environmental economists call the *use and existence value* people will place on changes in the natural environment in the future, and that the Ministry for the Environment work with industry federations of worker councils to estimate the effects of investment in the environment on production -- where often what we need to know are the effects of declining stocks of environmental assets on future production. We identified industry federations and the Ministry for the Environment as the natural advocates for more investment in environmental protection and explain why the National Federation of Consumer Councils is again best suited to make the case for more consumption and less investment in environmental protection. And as before, we explained how results of annual plans can be used both to update environmental plans and to restrain participants tempted to over or under exaggerate estimates they provide for planning.

Long-run Strategic International Economic Planning: We assume "participatory economics" will not triumph everywhere at the same time, but instead some countries will adopt participatory economies while others will continue to have capitalist economies for some time. We also assume there will be significant differences in the levels of economic development among countries for quite some time. Which means any country with a participatory economy will have to decide if and how to engage in international trade and investment with other countries, i.e. how to go about strategic international economic planning.

We believe the National Federation of Consumer Councils and federations of worker councils in different industries can act as useful counterweights to one another. We recommend that the National Federation of Consumer Councils be made responsible for making the case that what economists call *dead weight losses for consumers* in the present from tariffs or subsidies may be substantial, and that what economists call *future producer surpluses* – or more importantly in our opinion, future increases in overall productivity from shifting resources to industries experiencing more rapid technical change -- may be small. And we recommend that federations of worker councils in different industries be responsible for making the case that a tariff or subsidy for their industry may generate significant future producer surpluses and productivity increases, while dead weight losses for consumers in the present may be small.

Armed with the estimates of dead weight losses and future producer surpluses and productivity increases which emerge from this "dialogue," we recommend that the Ministry for International Economic Affairs be tasked with proposing tariffs and subsidies for different industries, including a schedule for their removal, to be debated and approved either by the national legislature or a national referendum. As in the case of education and environmental plans, as results from annual plans reveal errors in estimations of dead weight losses and producer surpluses and productivity increases, there will be opportunities for the Ministry for International Economic Affairs to make adjustments to mitigate welfare losses, also to be approved by the national legislature or referendum.

But how should a country with a participatory economy *negotiate* with other countries over terms of trade and interest rates on international loans? There are currently large differences between levels of economic development in different countries, which means that on average people in less developed countries receive less for their efforts and sacrifices than people in more developed countries do. To rectify this historic inequity and promote international solidarity we propose that countries with a participatory economy follow our ***More than 50% rule***.

> *When a participatory economy negotiates terms of trade and interest rates on international loans* ***more*** *than fifty percent of any efficiency gain from trade or international financial investment should go to whichever country is less developed.*

Terms of trade and interest rates on international loans which give 50% of the efficiency gains from international trade and investment to the less developed country and fifty percent to the more developed country simply maintain their relative economic status, that is do nothing to narrow the gap between richer and poorer countries. What our "more than fifty percent rule" does instead is *narrow the gap* between less and more developed countries by giving what we might call the "lion's share" of the efficiency gain to the lesser developed country whether it be the country with a participatory economy or the country without a participatory economy.

This rule ensures that when a participatory economy engages in mutually beneficial international trade or international financial investment with other countries it will reinforce rather than undermine global solidarity irrespective of what kind of economic system the other country may have. Our more than fifty percent rule acknowledges that these differences are largely unjust but recognizes that international economic injustice cannot be eliminated overnight, and instead we must build a bridge to lead us to where we wish to be.

ACKNOWLEDGING CHALLENGES

In all three kinds of long-run development planning we found that various federations and ministries must be heavily involved in providing estimates of effects which are critical to determining (a) how much it is efficient to invest in education, (b) how much it is efficient to invest in protecting the environment, and (c) which industries should be favored by tariffs or subsidies, for how long -- before an agency uses those estimates to calculate an efficient education, environmental, or international economic development plan. Which means that those participating in generating crucial estimates and using them to calculate development plans are *delegates* to federations, *officials* in ministries, and *staffs* of different development planning agencies – ***which, to be frank, worries us!***

Of course, these delegates and officials represent ordinary workers, consumers, and citizens. Of course, the selection process, terms of office, conditions for recall, and whether delegates receive instructions from those they represent about how to cast important votes, are all important considerations affecting how much voice and control those who they represent will have. Of course, the staff of development planning agencies merely turn the data given them into efficient development plans. And of course, once plans have been drawn up, they should be subjected to a thorough public debate and before being approved by the national legislature and/or popular referenda. Nonetheless, we worry that especially for those who are long accustomed to being denied access to decision making power, and understandably suspicious that their participation will continue to be meaningless, the absence of more direct participation by ordinary people in the formulation of various long-term development plans is problematic. I offer three thoughts about this subject in closing:

(1) We have not discussed the role of political movements, campaigns, and parties. Socialist visionaries sometimes give the impression that none of these social, advocacy or political groups will be necessary in a truly desirable future society – like old war horses, they are no longer needed when peace breaks out. *We believe quite the opposite.*

We believe the assumption that political advocacy organizations will no longer be necessary in socialism is naïve and utopian in the worst sense of the word. We believe that in a society where the majority have more time and far greater opportunity to become involved in decision making of all kinds, that both traditional and new kinds of political advocacy groups will become even larger and stronger, and that passions will continue to run deep about issues they address. So, we think it is important to imagine the development planning procedures we have described – and the delegates and officials who participate in them -- as being subjected to intense scrutiny and agitation of all kinds by various advocacy groups of interested citizens.

(2) Nonetheless, we believe that because delegates do play important roles in estimating effects necessary to determine efficient long-term economic development plans, because staffs in ministries use those estimates to calculate long-term plans, and because popular participation is largely limited to selecting and monitoring representatives and voting in

referenda on different long-term plans, it is all the more important that *during annual planning* ***only*** *worker and consumer councils can propose and revise* ***their own*** *self-activity proposals for their workplaces and neighborhoods -- as we have explained is perfectly possible!*

(3) We welcome any suggestions for how to increase direct popular participation in different kinds of long-run developmental planning. While we had that goal very much in mind when designing the proposals we have made, we may have ignored opportunities to increase *direct* participation by workers, consumers, and citizens during long-run development planning. We believe we have broken new ground in demonstrating how workers and consumers can participate directly in planning their own activities and coordinate them with others efficiently and fairly during annual planning. Any further path-breaking ideas about how to involve workers and consumers more fully and directly in the formulation of long-term development plans are welcome!

ADDENDUM ON POST PLAN AJUSTMENTS

More critics have objected to our proposals on grounds that planned economies *cannot* adjust to unpredictable changes which arise than for any other reason. So, in closing let me explain how we propose to adjust plans when it becomes apparent that it is necessary or desirable and also address the issue of whether adjustment procedures are not just markets after all.

Up to now we have been concerned with how to formulate different kinds of plans democratically and efficiently, and how to integrate different planning processes to mitigate welfare losses due to inaccuracies in initial estimates of various variables. But after plans are approved of course it will be necessary to adjust them as they are implemented. As Robert Burns wrote: “The best-laid plans of mice and men often go awry.” In short, it is important that a planned economy be able to make sensible adjustments when plans are implemented.

Actual purchase patterns during the year signal when consumers have changed their minds. At the individual level people reveal by their purchases that they want more of some things and less of others than they indicated during planning. At the aggregate level individual increases and decreases sometimes cancel out and therefore require no changes in production. When they do not cancel out, how to increase or decrease production of shoes, for example, because consumers have changed their minds must be negotiated between the shoe industry federation and the national consumer federation. There are different ways these adjustments might be handled, and each has its *pros* and *cons*. But the most important point is that adjustments can be made. When adjusting production the crucial questions are:

(1) To what extent, for example, will shoe producers or shoe consumers bear the burden of adjustments?

(2) Will shoe customers who change their demand for shoes be treated differently than shoe customers who do not?

In the case of excess supply, the issue is whether producers will be credited for shoes that are added to inventories, and if so, how much. However, the case of excess demand is more complicated because to raise shoe production more resources will have to be drawn away from industries experiencing excess supply. Beyond crediting shoe workers for working longer hours, will the indicative prices of shoes and the additional resources used to produce them be increased or not? If shoe production is not raised sufficiently to satisfy all who now want shoes, will those who did not increase their demand above what they ordered be given preference? *While those living in a participatory economy will have to* *debate the pros and cons of different answers to these questions, the important point is that these questions can all be answered.*

The difference between a planned economy and a market economy is that to the extent that consumers submit proposals that reflect any changes they anticipate in their tastes, and to the extent that worker councils submit proposals that reflect anticipated changes in their technologies, the approved annual plan is our best guess of what should be done, *and therefore the size of any adjustments necessary is reduced*. All options for making adjustments in a market economy are available in a planned economy as well. However, a participatory economy should prioritize procedures which distribute the costs of adjustments more fairly than market economies do.

At the end of our dialogue book Erik Olin Wright, who was an advocate for market socialism, understood how making adjustments when consumers change their minds can work in a participatory economy. He wrote: "Production would be done pretty much as now. Producers would examine the trends of sales and make their best estimate of what to produce on that basis. Since producers can continually monitor these trends, they can make updates to plans based on the actual behaviour of consumers."

But is this "adjustment process" really a market after all? As explained, approved consumption plans are not treated as binding contracts since individuals are free to change their minds as the year proceeds. And one possible option for making adjustments would be to allow indicative prices to rise when excess demand for something appears during the year, and indicative prices to fall in the case of excess supply. *In which case, if it looks like a market, and smells like a market, doesn't that mean it is a market? Our answer is an emphatic "no!" for three reasons:*

(1) *In market economies there is no plan that has been agreed to at the beginning of the year.* There is no plan where people had an opportunity to affect production and consumption decisions at least roughly in proportion to the degree they are affected. There is no plan that incorporates effects on "external parties" which are ignored by buyers and sellers who make the decisions in market economies. There is no plan that would be efficient, fair, and environmentally sustainable if carried out as best we know when it is agreed to. Instead, in a market economy all decisions about how to organize a division of labor and distribute the benefits from having done so are settled moment by moment by agreements between pairs of buyers and sellers – which we now know predictably leads to outcomes which are inequitable, inefficient, and environmentally unsustainable.

(2) *Even when adjustments are made during the year in a participatory economy individual buyers and sellers do not negotiate adjustments between themselves however they see fit, including any adjustment in prices.* Instead, adjustments are negotiated socially. Industry and consumer federations negotiate adjustments in production. And, whether to adjust indicative prices is also a social decision so fairness can be taken into account.

(3) Finally, markets are the aggregate sum of haggling between countless self-selected pairs of buyer-sellers. *Neither participatory planning nor the adjustment procedures I have discussed above permit self-selected buyer-seller pairs to make whatever deals they want* – because we have learned that the consequences of allowing this are simply unacceptable!