PROMOTING SOLIDARITY IN A PARTICIPATORY ECONOMY

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INTRODUCTION

- Humans are capable of wishing our fellow human beings well and acting out of solidarity with others. Humans are also capable of being selfish and envying others.
- A major reason libertarian socialists want to replace capitalist economies is because we believe *private enterprises and markets reward and encourage selfishness and penalize and discourage solidarity.*
- Most libertarian socialists consider it obvious that nurturing human potentials for solidarity is preferable to encouraging our capacities to be selfish. But 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, before moving on to explain in greater depth specific ways in which the economic system known as *a **participatory economy** promotes solidarity.*

THE CASE FOR SOLIDARITY 1

- When proponents of participatory economics use the word "solidarity" we simply mean *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 has been formulated as a "golden rule" by religions and as a "categorical imperative" by philosophers. 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* solidarity is a good thing.
- *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. Because our lives are largely joint endeavors it makes sense that we would seek the approval of others for our part in group efforts. 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.

THE CASE FOR SOLIDARITY 2

- Compare two different ways in which an individual can gain the esteem and respect of others. One way grants an individual status by elevating them above others in a status hierarchy. For one individual to gain esteem in this way it is necessary that those below them in the hierarchy lose esteem, and we have a *negative sum game* since losers in hierarchies invariably outnumber winners.
- A second way for people to gain other's esteem is for people to feel and express concern for one another's wellbeing out of 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. In short, *solidarity is a positive-sum game*.
- Clearly, any group characteristic which enhances the wellbeing members can obtain from a given set of scarce material resources is advantageous. Solidarity is such a group characteristic. Ergo: Economic institutions which enhance solidarity are preferable to economic institutions which undermine solidarity. *Only in societies as socially disoriented as ours is it necessary to "prove" something this obvious!*

MARKETS UNDERMINE SOLIDARITY

- Disgust with the commercialization of human relationships is as old as commerce itself. The spread of markets in 18th 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 a philosophy of laissez-faire, competition, and supply-and-demand start up as the exponent of human relations, expect that it will end soon."
- 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."

MARKETS MAKE HUMANS THE WORST VERSION OF OURSELVES

- What the oldest critique of markets amounts to is an objection to the organization of economic cooperation in a way that is personally distasteful, demeaning, and unnecessarily sours human relations.
- It is an objection to forms of interaction that are mean spirited and hostile, and 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 ARE A NO CONFIDENCE VOTE IN HUMANITY

In effect, markets say to us:

- You humans cannot consciously coordinate your interrelated economic activities efficiently, so don't even try.
- You humans cannot come to equitable agreements among yourselves, so don't even try.
- Just thank your lucky stars that even such a hopelessly socially challenged species like you can still benefit from a productive division of labor thanks to the miracle of the market system!
- In short: *Markets are a no-confidence vote on the social capabilities of the human species.*

MARKETS PENALIZE THOSE WHO OBEY THE GOLDEN RULE

- Markets harness our creative capacities and energies by arranging for other people to threaten our livelihoods.
- Markets reward those who are adept at taking advantage of his or her fellow man or woman, and penalize those who insist, illogically, on pursuing the golden rule – *do unto others, as you would have them do unto you.*
- Of course, *we are told* we can benefit by being of service to others. *But we know* that in market economies we can often benefit more by taking advantage of others.
- In short…

MARKETS ARE CANCER TO THE SOCIALIST PROJECT

- I use the word "cancer" not as hyperbole but because 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 desirable economy. That is why we should search for other ways to respond to situations which arise that make markets tempting.
- It is easy to understand why people may feel that objecting to even *a dash* of markets is being over-zealous. Which would be true if a dash of markets were like a dash of salt.
- But if instead, 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!

SOLIDARITY: TO BE NURTURED NOT ASSUMED

- However, anarchists' desire for solidarity has too often led us to assume that once capitalist impediments are removed solidarity will simply blossom and flourish. Unfortunately, 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 by wishful thinking.
- Instead, we must design procedures *which **do not assume** but instead **encourage and nurture** solidarity on people's part to grow.* A participatory economy is self-consciously designed to accomplish this task in a variety of ways.

*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*.
- In other words, a participatory economy is a *planned economy, **not** a market system*.
- Because everything to be done in every year forever cannot be decided in a single planning procedure in the present, *we will need an annual participatory planning procedure, an investment planning procedure, and several long-run development planning procedures as well.*
- Moreover, we will need to *integrate* these plans with one another and *update* them as new information becomes available.

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 equally?
- Socialists have long understood 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 economic decisions do not usually affect everyone to the same extent.*

A FUNDAMENTAL DILEMMA

- In fact, 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?*
- Because most economic decisions affect many people but to differing degrees. And therefore the challenge is:
- *How can we give workers and consumers in their own councils an appropriate degree of* ***autonomy*** *over what they do.*

POPULAR PARTICIPATION FACES TOUGH CHALLENGES

- It is important to recognize that 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.
- And 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.
- *And therefore, **this** is the historical legacy of capitalist alienation we must overcome… which should not be underestimated!*

AND THE PRICE OF FAILURE IS MONSTROUS!

- Biologists teach us that nature abhors a vacuum and in complex ecological systems any empty niche will quickly be filled by some organism or another. *If there is a single lesson to be learned from human history, it is that* ***society abhors a power vacuum***. *If people do not control their own lives someone else will.*
- For over 300 years capitalists have been happy to fill this vacuum and tell their employees what to produce and how to produce it. And the history of twentieth century Communism teaches that if workers and consumers do not run the economy themselves, after capitalists have been dispossessed central planners and plant managers who I call a *coordinator class* will soon emerge to do it for them.

SO THEREFORE, THE QUESTION 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* 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 finally be different, so their participation will finally be worth their while?

ANNUAL PARTICIPATORY PLANNING 1

- 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, “indicative prices” refers to what economists call estimates of *opportunity costs and social costs*.

ANNUAL PARTICIPATORY PLANNING 2

(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 what "inputs" they want permission to use to accomplish this, including not only capital goods they want permission to use but intermediate goods they need from other worker councils and 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.

ANNUAL PARTICIPATORY PLANNING 3

- *These three steps are repeated in subsequent rounds, or "iterations," until there is no longer any excess demand for any final good, intermediate good, capital stock, natural resource, or category of labor.*
- *We have proved* that under assumptions about technologies and preferences which are standard in the economic literature each round in this social, iterative procedure will begin with more accurate estimates of opportunity and social costs, followed by new proposals from councils in light of new information the revised "indicative prices" signal about how their behavior affects others.
- *Each council must revise and resubmit its own proposal* until it meets with approval from other councils. The planning procedure repeats until a feasible, comprehensive plan for the year is reached, i.e. a plan where everything someone is counting on will be available. *And computer simulations indicate that our procedure would reach a feasible plan in few enough rounds to be quite "practical."*

ANNUAL PARTICIPATORY PLANNING 4

- *Consumer council proposals are evaluated* by multiplying the quantity of every good requested by the estimated social cost of producing a unit, to be compared to the average effort rating plus allowances of the households in the consumer council.
- *Worker council proposals are evaluated* by comparing the estimated social benefits of their outputs to the estimated social cost of their 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 the 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 will presumably 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.

ANNUAL PARTICIPATORY PLANNING 5

- 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.
- *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.

ANNUAL PARTICIPATORY PLANNING 6

- *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 improves both efficiency and equity as iterations proceed.
- *Of course, there are many concerns and technical issues* which have been raised about our annual planning proposal over the years, which I will be happy to address during Q&A if desired.

REAL SELF-MANAGEMENT

- 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 *enables other worker and consumer councils to easily and quickly 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's production proposal or neighborhood council's consumption proposal is not approved, *only the council which made the proposal 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 promoting solidarity will largely consist of agreeing on compensation based on effort, sacrifice, and need. In neighborhoods solidarity will largely consist of approving neighbor's requests for consumption when they have special needs.*
- While we *do not recommend* that external agencies impose these criteria which we believe would be counterproductive, we *strongly recommend* that socialist political parties and socialist groups within workplaces and neighborhoods in participatory economies advocate vigorously for these criteria during annual participatory planning right from the start.
- Since we believe lasting social progress often proceeds unevenly among different groups, we anticipate that some worker and neighborhood councils will embrace these criteria sooner than others. But *we both hope and believe this process can eventually lead a vast majority of councils to practice compensation based largely on need.*

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 strategic international economic plan.
- All our investment and development planning proposals are guided by three goals:
- We want them to be as *efficient* as possible.
- We want them to *encourage popular participation* in both the formation and approval of investment and development plans.
- And we want them to *encourage solidarity* by putting people in situations where their personal interests and the interests of others are in harmony rather than in conflict.

NEW PROBLEMS

Three new problems arise during investment and development 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 which stretch over many more years than short-run investment plans do.

(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-run 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, as well as *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 investment and development plans must satisfy a *"Generational Equity Constraint" limiting the difference in aggregate per capita consumption in adjacent years of any plan to some percentage*. For a detailed explanation of *how and why* our Generational Equity Constraint makes it risky for the present generation to attempt to benefit at the expense of future generations by choosing a high percentage, see pages 225-226 in my *Democratic Economic Planning* (Routledge, 2021.)
- In short, we neither compel the present generation to behave in solidarity with future generations, nor do we simply assume they will choose to do so. Instead, we have proposed an "institutional inducement" to help promote this outcome until it may eventually become a habit nobody any longer questions. *The Generational Equity Constraint is the principal way we propose to help solidarity towards future generations grow and flourish.*

SHORT-RUN INVESTMENT PLANS

- 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.
- We propose that the National Federation of Consumer Councils estimate changes in future consumers' preferences. And we propose that the National Federation of Worker Councils estimate changes in future production technologies. 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.
- However, our most important contribution to investment and development planning is that we explain *how subsequent annual plans will reveal mistakes in estimations of changes in future benefits and costs and thereby provide an opportunity to revise estimates and recalculate investment plans for remaining years to mitigate welfare losses which otherwise would be caused by inaccurate initial 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 the Ministry of Education estimate the long-term *personal benefits* from education.
- We recommend that the national legislature in consultation with the Ministry of Education provide planners with estimates of the *political "capacitation" benefits of additional education*.
- We identify 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 therefore *less* investment in education.
- And we explain how information which becomes available from subsequent annual plans can be used to update education plans to make them more efficient.

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 value* and the *existence value* people will place on changes in the natural environment in the future, and we recommend 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 identify 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 once again, we explain 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 during environmental planning.

LONG-RUN STRATEGIC INTERNATIONAL PLANNING 1

- We assume "participatory economics" will not triumph everywhere at the same time, but instead there will continue to be different countries, some of which will have adopted participatory economies while others will continue to have capitalist economies. 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 as follows.
- We recommend that the National Federation of Consumer Councils be 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 future *producer surpluses* may be small.

LONG-RUN STRATEGIC INTERNATIONAL PLANNING 2

- 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 these estimates of dead weight losses, 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, all 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, 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.

THE MORE THAN 50% RULE

- But how should a country with a participatory economy *negotiate* with other countries over terms of trade and interest rates on international loans? Because there are large differences between levels of economic development in different countries, on average people in less developed countries receive less for their efforts and sacrifices than people in more developed countries do. *To 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 50%*** *of the efficiency gain from trade or international financial investment should go to whichever country is less developed.*

- The more than 50% rule ensures that when a participatory economy engages in mutually beneficial international trade and financial investment it will be reinforcing rather than undermining global solidarity by awarding the “lion’s share” of the efficiency gain to the less developed country irrespective of what kind of economic system the two countries have, while recognizing that international economic injustice cannot be eliminated overnight.

ACKNOWLEDGING CHALLENGES 1

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 how much it is efficient to invest in education, in protecting the environment, and 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 plan.

Which means that those participating in generating estimates and calculating development plans are *delegates* to federations, *officials* in ministries, and *staffs* of different development planning agencies – ***WHICH, TO BE FRANK, WORRIES US!***

ACKNOWLEDGING CHALLENGES 2

- Of course, these delegates and officials represent ordinary workers, consumers, and citizens. Of course, the selection process, terms of office, and conditions for recall 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, plans should be subjected to a thorough public debate 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 are understandably suspicious that their attempts to participate will continue to be meaningless, the absence of *more direct* participation by *ordinary people* in the formulation of different long-term development plans is problematic. I offer three thoughts about this problem in closing:

ACKNOWLEDGING CHALLENGES 3

First, we have not discussed the role of political movements, campaigns, and parties. Socialist visionaries sometimes give the impression that advocacy and political groups will no longer be necessary in a desirable future society. Like old war horses, they will no longer be 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 opportunity to become involved in decision making of all kinds, that both traditional and new kinds of political advocacy groups will become larger and stronger, and that passions will continue to run deep about the issues they address.

So, *we think it is important to imagine the 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.*

ACKNOWLEDGING CHALLENGES 4

- Second, 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 overall long-term plans; it is all the more important that ordinary workers and consumers participate directly and actively in annual planning.
- *And most importantly, 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!*

ACKNOWLEDGING CHALLENGES 5

- Third, 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!