

Parecon: The Economics of Equality

In virtually all contemporary societies, decision-making power rests largely with a narrow majority of the populace. In most capitalist societies, wealth is concentrated most heavily among a small class of people. This occurs because capitalism operates on a market system, and market-based exchanges work to the benefit of those who control the greatest amount of wealth to begin with. The balance is tipped in their favor because, as controllers of the largest portions of the market, they wield the most influence over the market itself.

Socialist systems, on the other hand, divert either all governing power to a central (state) institution, or they share it with those who control the most wealth in what is known as “market socialism.” In both market-supplemented and centrally planned socialist systems, however, the state, whether by itself or alongside the strongest actors in the market, dominates decision making in the economy. Both capitalism and socialism, then, are anti-democratic, placing a majority of power and economic control in specialized sectors of a society.

Participatory economics (also referred to as “Parecon”) describes an attempt to solve this problem by allowing all members of a society to play equal roles in decision making. Parecon also strives to create an egalitarian, classless society while also rewarding effort and sacrifice on the part of its workers. Essentially, the creators of the participatory economic theory strive to accomplish what socialist thinkers with similar objectives failed, by enacting their egalitarian model not using a centralized (government) apparatus, but by having individuals negotiate their needs and desires through worker and consumer councils, to ultimately insure that every individual’s needs are met, and every concern heard. At first, Parecon seems little more than a boy’s dream; a utopian ideal that could never be applied in a practical society. However, given time, Parecon may prove to be not only the fairest, but in fact the most effective way to manage an economy. In fact, its principles have already been applied to some institutions within Western capitalism.

Defining an Economy

To explain a theoretical type of economic system, one must first define what an economy is. For the purposes of comparing economic theories, an economy can be defined as a network of institutions of production, distribution, and consumption of goods and services. The ultimate purpose of those who work in an economy is to meet the

demands of consumers with these goods and services, the final products. Intermediate objectives involve providing the producers of these final products with necessary materials, tools for production, and labor to operate these tools. The exchanges of goods and services that are required in meeting this series of objectives serve as means for allocating wealth in some capacity, and therefore comprise an economy. Differences in economic systems dictate how these means are applied, and how they are regulated.

The differences between economic approaches are expressed in terms of five distinguishing characteristics: ownership, allocation, division of labor, remuneration, and oversight (decision-making). For example, in a purely capitalist system, ownership is private, because individuals control most assets. Allocation of goods, resources, and labor occurs in a market, and ostensibly is determined by demand. The division of labor is hierarchal, and both oversight and compensation are strictly dictated by the nature of the labor stratifications, with those atop the labor hierarchy controlling most fiscal decision-making. An individual's position on the hierarchy, interestingly, is closely tied to ownership. Those who dominate the capitalist ownership system also tend to dominate the market system of allocation. Furthermore, because they control most decision-making power, they allow compensation to be determined by the factors of their choosing. As a result, the remuneration received by an individual in a capitalist system is primarily dictated by that individual's position on the hierarchy and by the monetary value of that individual's output.

The characteristics of other systems differ. For example, in an extreme, centrally dominated socialist society, ownership is regulated by the state. Allocation is determined by central planning, while compensation is determined by apparent need, as determined by the central planners. Consequently, decision-making authority lies primarily with the state. Virtually all modern, Western, industrialized societies exist somewhere near the midpoint of a continuum between the capitalist and socialist extremes. Parecon, however, does not; its economic institutions are radically different, though they can be, and successfully have been, applied within enclaves of other systems.

Characteristics of a Participatory System

In a participatory system, ownership relations are defined communally. While this at first appears to resemble the Communist mantra, it is different in one key aspect. In what is called participatory economics, societies simply have no concept of ownership

of such things as means of production (such as farms, and factories), natural resources, and some other entities traditionally controlled by the state, such as waste disposal sites. These things simply exist. The goods they produce are distributed as determined by consumer councils, and the people who work in them are compensated and managed in accordance with their labor councils.

People still own homes, furniture, and other possessions, and obtain these things as they need and desire them through consumer councils, which control allocation. They allocate such things as materials to factories and farm equipment to those who use it, as well as consumer products to final consumers, though negotiation. Prices, production, and other important considerations are primarily weighed in terms of their relative cost. For example, if a council sought to produce bread, they would evaluate what they could produce instead, and then produce an amount of bread that they determine would not be a waste of efforts better spent producing fruits or pencils, but would be adequate in meeting any demand for bread. Demands for the bread would be issued by consumer councils, which meet to evaluate and then assert their members' desires for products. Labor councils would then determine how to meet these demands, and how to remunerate those who make this possible. All decisions made by these councils would be decided by consensus, simple majority rule, or by a certain percentage affirmative votes by their members, such as two-thirds or three-quarters. This collaborative process is what is known as "participatory planning."

The respective councils are arranged in tiers. The labor councils consist of small subsets of workers in their given industries, then of larger, industry-encompassing subsets, which in turn comprise the larger, multi-industry councils. In individual companies employing participatory ideals within a larger capitalist framework, labor councils are composed of those companies, and subsets of workers within those companies, to relegate decision-making as far down the chain as possible, so that workers have the primary say in decisions that affect only their small groups. Consumer councils, meanwhile, consist of family or other social units, which then make up larger councils for their counties, cities, or boroughs, depending on local population density. These in turn make up state- or provincial councils, and so on.

Naturally, some degree of cooperation is required. In order for this system of negotiation and response to work properly, those who have helped develop the Parecon system concede,

- “Participatory workers must weigh the gains from working less or using less productive, though more fulfilling techniques, against consumer well-being. Likewise, participatory consumers must weigh the benefits of consumption requests against the sacrifices required to produce them.
- Participatory workers must distinguish an equitable workload from one that is too light or too heavy. Likewise, participatory consumers must distinguish reasonable consumption requests from those that are excessive or overly modest.
- Everyone involved must know the true social costs and benefits of what they consume or produce, including the quantifiable and non-quantifiable consequences of their choices.”¹

After these conditions are achieved in the minds of the participants, which may require something of a trial and error period, using current production levels as a starting point for participatory planning, making adjustments in accordance with the outcomes of deliberations and the effects of the early decisions. Soon, however, the collaborative councils should be able to determine, through internal discussions and then discussions with other councils, what ideal allocation levels are. The democratic nature of the councils insures that they will at least be fair. They will quickly become functional as well, and able to adapt as the councils meet at regular intervals.

The labor councils also determine the division of labor, with the goal of making it equitable, and therefore, provide equitable compensation that rewards work and sacrifice, and not simply output. One advantage of this reward system is that in some cases, modern industrial machinery, tractors, for example, designed with the maximization of production in mind at a cost to the environment, may be fall in and out of disuse, as it becomes necessary to produce more crops, and so on, as long as adequate final products, crops in this case, are produced. This is because relative usefulness, and not pure cost effectiveness towards creating a surplus, is the primary economic goal.

Also to that end, labor is divided equitably, not in a hierarchy, to give each individual the most balanced level of enriching or stately work versus tedious or degrading work, so that division of labor is not oppressive, and so that the importance, difficulty, and appeal of everyone’s work is as equal as can be achieved given the skills

¹ Bullet list in quotes taken from Parecon: Life after Capitalism, p. 123.

of the workers. Therefore, there would be no managers and underlings; there would be administrative work and mechanical work, divided evenly among the workers, as determined by the democratic processes carried out in the labor councils. Work can, however, still be divided by area of skill. Each individual is able to work in areas that person finds interesting and empowering, but will also be subjected to work that is, at times, boring, grueling, or both.

The major concern that arises from the idea of democratic councils is one derived from an image of infinite meetings to determine specific details regarding labor and allocation. However, these meetings can occur on a regular basis, and most of the tedious aspects can be mitigated by the use of database technology, which would allow these concerns, such as consumption requests, to be lodged at the leisure of individual council members, to be collectively retrieved and discussed at the next meeting. Furthermore, the existence of consumer councils renders some entire industries in the traditional capitalist model (as applied in the United States), such as advertising and marketing, entirely obsolete, and while labor councils increase the efficiency and necessity of the work being done. Also, there will not be any citizens willing to work who do not, further enhancing the capacity for labor relative to the current capitalist model. The meetings, then, are more of an asset than a liability to the economy.

Instances of Success

Participatory economics is an idea largely developed by innovators who wanted to run businesses fairly. As a result, these forward-thinking individuals have primarily concentrated their respective enclaves around specific locales. Massachusetts, for example, is home to Z Magazine, its online companion Z-Net, and book publisher South End Press. All of these companies are run using the democratic participatory system, and all were founded by Michael Albert. Another experimental Parecon center is

Winnipeg, Manitoba, Canada, home of a bookstore and coffee shop, a music label, and a publishing company, all managed in a decentralized participatory manner. Workers for these companies share in equal amounts of managerial work and other tasks such as the cleaning of the workplace, and have equal say in company decision-making. As a result, these are workplaces find themselves inundated with heavy amounts of applicants, seeking empowering, fair-minded working environments.

These isolated experiments in participatory economics offer proof that the system is workable, at least on a small scale, as far as running a viable business that can cover expenses and compensate its workers. Whether or not such a system would be viable on a nationwide, or even a global scale, remains to be seen. At the very least, these systems challenge the outdated truism that “There Is No Alternative²” to capitalist markets or central economic planning.

² Slogan used by Barry Goldwater and British Prime Minister Margaret Thatcher, among others, referring to market capitalism.