

Democratic Theory and Economic Planning: A Critique of Participatory Economics

JAN PHILIPP DAPPRICH
University of Potsdam

Abstract: The participatory economics model (ParEcon) of Michael Albert and Robin Hahnel represents an important contribution to the debate about feasible alternatives to capitalism. What distinguishes the model from other proposals, like market socialism or cybersocialism, is the central role given to the participation of citizens in economic planning. Citizens form workers' and neighbourhood consumers' councils which develop production and consumption proposals. These councils form federations responsible for the coordination of planning. An Iteration Facilitation Board plays a mere perfunctory role in the facilitation of the planning process. This way, economic planning is done entirely by the citizens themselves rather than planners at a central planning agency. The ParEcon model is thereby supposed to be more democratic than historical central planning.

In this paper, I consider whether three possible justifications for democracy can also be used to support this kind of participatory economy. These justifications can be referred to as (1) the protection of citizens' interests, (2) the revealing of preferences and (3) liberty. In my paper, I show that these three justifications of democracy do not in fact support democratic participation in concrete economic plans in the way envisaged by Albert and Hahnel. Instead of individual plans, citizens should choose general planning procedures. This prevents citizens from being subjected to the arbitrary power of their co-workers or neighbours. Such an algorithmic planning process also prevents central planners from holding arbitrary power since, much like the Iteration Facilitation Board in the ParEcon model, they simply facilitate the prescribed planning process without retaining significant discretion. As I elaborate in the case of consumption planning, citizens can still participate in planning, however they do so through their individual choices rather than a democratic vote. Individual citizens should not require the approval of their neighbours for their personal consumption.

Keywords: Democratic theory, planning, economic planning, democratic economic planning, participation, participatory economics, workers' councils

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1. INTRODUCTION

The participatory economics model of Michael Albert and Robin Hahnel (Albert and Hahnel 1991, Hahnel 2021) can be understood as an attempt to make economic planning more democratic. In the model, economic activity is managed by worker and neighbourhood consumers' councils through which citizens directly participate in planning. In this paper, I will critically scrutinize the participatory economics model from the perspective of democratic theory. I will consider three relevant justifications of democracy and will examine whether they also speak in favour of participatory economics. I will show that these grounds for democracy cannot be used as reasons for giving significant power to workers' and consumers' councils. The institutional framework of participatory economics is thus not justified by democratic concerns. I will then take a closer look at the consumption planning procedure and show that it assigns much less significance to neighbourhood consumers' councils than the proponents of participatory economics acknowledge. On the consumption side, at least, the institutional framework of the council system is not essential for the actual planning procedures of the model.

Throughout the essay, an alternative role for democracy and citizen participation emerges. Rather than citizens participating in the formulation of an economic plan through their membership in councils, citizens should instead vote on general institutions and procedures of planning. Citizens still influence economic planning but they do so primarily by expressing their preferences through individual choices instead of as members of a collective decision-making body. In some cases, for example with regards to the provision of public goods, the mechanisms for expressing preferences may still correspond closely to those in the participatory economics model, albeit without any role for local councils. The paper is structured as follows: Section 2 provides a first introduction to the participatory economics model. Section 3 discusses relevant justifications for democracy and shows that they don't speak in favour of giving significant power to councils. Section 4 takes a closer look at consumption planning in the participatory economics model. Section 5 concludes with a brief outline of an alternative perspective on the interplay of democracy, citizen participation, and economic planning.

2. PARTICIPATORY PLANNING

The participatory economics model of Robin Hahnel and Michael Albert (Albert and Hahnel 1991, Hahnel 2021) makes an important contribution to the debate about feasible alternatives to capitalism. What distinguishes the model from other proposals, such as market socialism (Roemer 1994) or cybersocialism (Cockshott and Cottrell 1993), is the central role given to citizens in the planning process. Hahnel (2021) posits ‘economic self-management’ as a key ideal to be realised through the model. He suggests that “*decision-making input, or power*” should be assigned “*in proportion to the degree one is affected by different economic choices*” (Hahnel 2021, 15). Citizens should, in other words, be given the ability to manage their own affairs. In so far as they are affected by a decision, they must get a say. The principal way by which this is to be achieved is through worker and neighbourhood consumers’ councils and these are in turn organised in federations of councils (Hahnel 2021, 89–91). Workers’ councils manage individual production units. By participating through these councils, workers and consumers can make sure that the decisions of that council represent their own interests. Hahnel (2021, 92–93) recognises that the production decisions of an individual enterprise have effects beyond their own workers. These effects may fall on consumers, other production units, and neighbours that may be affected by pollution. An elaborate system based on an *Iteration Facilitation Board* (IFB) is supposed to deal with these interdependencies and to make sure the production plans of individual units are both mutually consistent and economically viable (Hahnel 2021, 93–96).

At the beginning of a planning period, the IFB announces a set of indicative prices for various goods, natural resources, and labour, indicating their respective estimated opportunity cost. Based on these prices, consumers’ councils propose consumption plans detailing what consumption goods they intend to consume. Worker councils, in turn, propose production plans indicating what they intend to produce. The first round will most likely see a significant mismatch. Worker councils may be proposing to produce much more of some goods than consumers intend to consume, while other goods would get significantly underproduced. The IFB then adjusts the prices of items based on this mismatch between supply and demand. Councils are then required to resubmit plans based on the revised prices. After several iterations this process is supposed to lead to an alignment of supply and demand for various products. The primary decision-making power, nonetheless, remains with the

councils of the workers and consumers most affected by the individual production and consumption plans respectively.

Hahnel argues that the participatory planning approach is clearly distinct from more centralised models of planning. While the IFB might be mistaken for a “central planning board in disguise”, he emphasises that its role is merely “perfunctory” (Hahnel 2021, 158). The IFB only performs the task of adjusting prices based on observed mismatches between supply and demand, so it does not hold any discretionary power. As Hahnel notes, the personnel of the IFB could in principle be replaced by an algorithm (Hahnel 2021, 158). I will return to this point in section 4, where I will show that many of the tasks assigned to neighbourhood consumers’ councils do not involve, or should not involve, discretion either.

There is, however, another notable difference between participatory economics and more centralised forms of planning (Hahnel 2021, 158). Workers’ and consumers’ councils submit their own proposals for production and consumption plans for their firms or neighbourhoods respectively. While this is subject to certain conditions—for example consumption proposals may not exceed the allowances of consumers—the decision power does not rest with a central agency. Councils are thus not given instructions from a central control point, as they are in more centralised models of planning. This is meant to ensure the autonomy of councils and allow citizens to self-manage their affairs through them (Hahnel 2021, 297).

3. WHY DEMOCRATIC PARTICIPATION?

Democratic theorists have put forward a wide range of justifications of democracy (Christiano and Sameer 2024). In this section, I discuss three justifications for democracy that seem to align with the values and motivations of participatory planning. The first justification is that democracy is necessary to protect citizen’s interests. I will distinguish from this the notion that some form of (democratic) participation is necessary to discover citizens’ preferences (or interests). While the first consideration is based on power, the second is purely epistemic. Finally, I will consider whether (economic) democracy is necessary to preserve liberty. I will draw on the neo-Roman conceptualisation of liberty as non-domination, since labour republicans have drawn on this conception of freedom to support a democratisation of the workplace. I will demonstrate that these three lines of reasoning cannot be used to successfully defend the governance of the economy through citizen councils as envisaged by Albert and

Hahnel (Albert and Hahnel 1991; Hahnel 2021). I will not deal in any detail with the relational egalitarian defence of democracy, according to which democracy is necessary to realise the ideal of political equality (cf., Anderson 1999; 2009, 218ff). The reason for this omission is that it contradicts the ideal espoused by Hahnel (2021, 15) himself that decision making power should be distributed in proportion to affectedness, i.e. not equally. At least for the matters considered here, Hahnel and I are in agreement that it would be inappropriate to give all people an equal say on consumption and work decisions which only or primarily affect one individual or a small group of people. The following justifications of democracy, in contrast, have been selected for consideration because I deem them most relevant to the values and ideas of participatory economics.

PROTECTION OF CITIZENS' INTERESTS

The liberal philosopher John Stuart Mill (2004) defended the ideal of 'popular government', in so far as it was practical, in part because it would ensure that government is responsive to the rights and interests of citizens. These will "only [be] secure from being disregarded when the person interested is himself able, and habitually disposed to stand up for them" (Mill 2004, Chapter 3). This benefit of popular government therefore depends on active citizen participation. It is only because citizens get a say that their interests are protected. We can apply the same argument in defence of participation in economic matters. CEOs or central planners will be less invested in the interests of the individuals affected by their decisions than those individuals themselves. It is, one might well argue, therefore necessary that citizens get to participate in the economic decisions that affect them, so that their interests are protected. This argument seems, at least at first glance, to endorse participation of the kind envisaged by Albert and Hahnel. Not only does it justify participation of workers and consumers but it also further justifies excluding from participation those that are untouched by a matter, as is implied by the participatory planning principle that decision-making input should be assigned in proportion to the degree of affectedness. If one is not affected by a decision then one does not have an interest in the matter that needs to be protected.

However, as I will now demonstrate the protection of interests is insufficiently realised in the council system of the participatory economics model. The underlying issue is a fundamental problem of majority rule that Hahnel (2021, 15) himself acknowledges:

[M]ajority rule is [...] an inappropriate conception of economic democracy. When a decision has a greater effect on some people than others, by giving each person an equal say or vote, those more affected by a decision can find themselves overruled by those who are less affected.

A council in which workers or neighbours vote on planning decisions is just such a case of majority rule. I will show in Section 4 that neighbourhood councils do not actually have much to vote on, so they are in this sense less problematic. But workers, as part of a workers' council, are assumed to vote on production proposals. The following example will demonstrate how this endangers, rather than protects, the interests of individual workers.

Consider a workers' council that passes by majority vote a production proposal that would make one of their members redundant, forcing her to find employment with another workers' council. This may, for various reasons, go entirely against her interests. As a member of the workers' council, she is able to give voice to her interest to not be made redundant, make alternative suggestions, and even vote against the proposal in question. However, other council members are just as able to completely ignore her complaints and suggestions and can ultimately outvote her. Such conflicts of wills are unavoidable in any economic system, and I do not mean to suggest that the interest of the majority of workers in a production unit may not, in some such cases, outweigh the interests of the minority. However, the procedure of a majority vote fails to consider the interests of the minority entirely. No matter how strong her interest in not being made redundant, the worker in question will only have a single vote on the council. Other workers may only have a slight preference for the proposal in question over an alternative proposal, but if they are sufficiently apathetic about the fortune of their co-worker, or perhaps even have personal resentment against her, then they may well vote in favour of it anyway.

Democratic participation can still play an important role in protecting citizens' interests. The problem in the above example is that it puts to a majority vote a particular case in which each voter might have a distinct interest. Democratic, collective decision-making is, however, much more appropriate for designing general laws, practices and institutions. Philosophers have put forward various formulations for this. Rousseau (1762, Book 2, Chapter 4) writes that the "general will [...] loses its natural rectitude when it is directed toward an individual, determinate object" because whenever citizens deliberate about such an object, they will assign

undue weight to their own private interests in the particular case being considered (Kain 1990, 317). To avoid this problem, citizens should only vote on abstract, general questions (Kain 1990, 318). Rawls similarly argues that citizens should first decide on general practices for resolving conflicts of interests, before determining the resolution of individual cases. This way:

each will be wary of proposing a principle which would give him a peculiar advantage, in his present circumstances, [...] [while knowing] that he will be bound by it in future circumstances the peculiarities of which cannot be known, and which might well be such that the principle is then to his disadvantage. (Rawls [1985] 2020, 32)

By considering such general principles, citizens make sure that their interests are not just protected in the case immediately before them but also in the future. A worker that stands to benefit if a colleague is made redundant, perhaps due to lower labour costs for her production unit, may at some point become at risk of redundancy herself. If she got to vote on a general principle for dealing with such cases, she might thus favour procedures which give appropriate weight to the interests of all those affected even if that leads to worse outcomes for her in some cases. There is also a case to be made that when citizens are confronted with such general questions, they will be more likely to think about the common good or general principles of justice rather than what is good for them personally. Since the question is being posed to citizens in a general fashion, they may be more likely to refer to such general considerations in their deliberation. What is at stake is, after all, much bigger than their own personal interest.

Democratic participation can indeed ensure that economic planning is responsive to citizens' interests. However, this is best achieved when citizens participate in the choice of general practices and institutions of planning. Citizens should, in other words, vote on the procedures and methods by which an economic plan is determined rather than voting on the plan itself or part thereof. As the redundancy case shows, a majority vote on a workers' council, as proposed by Albert and Hahnel, may not always be in citizens' best interest and may thus not be their best choice when determining planning procedures. This is not to say that planning procedures should not entail further opportunities for participation. Citizens might still participate in planning decisions, or at least influence them, through their *choices*, such as choices of occupation or consumption choices. However, as I will outline further in the case of consumption

choices in Section 4, these are essentially individual choices, not political decisions taken by a collective decision-making body such as a council. What I have demonstrated here is simply that *a council making concrete decisions by majority vote* is not an appropriate way of protecting citizens' interests.

REVEALING OF PREFERENCES

As is evident throughout Hahnel's (2021) book, he views worker and neighbourhood consumers' councils primarily as a way of discovering the work- and consumption-related preferences of citizens. Who should know better what is in citizens' interests, than those citizens themselves? Even if there were a benevolent dictator or central planner who wanted to respond to citizens' interests, that dictator would lack crucial information about the preferences and circumstances of individual citizens. By letting citizens participate in matters that affect them, we allow them to make use of their expert knowledge of themselves and their immediate circumstances. The resulting decisions will thus better reflect their interests, simply because those making the decisions will have a better understanding of what those interests are.

While this line of argument carries some weight, there are limitations to the extent to which it can support Albert and Hahnel's model of participatory economics. It does not follow that those who hold the information must also be those who hold the power. It could be the case, for example, that citizens get to express their preferences at a council meeting, the minutes of which are passed on to a benevolent central planning agency. Alternatively, citizens might fill out individual preference surveys. The central planning agency would then make the final decision and thus retain power, but would do so while being informed about the preferences of the population. To solve the epistemic problem of discovering preferences, it is not necessary that the expressions of preferences by citizens are binding or that citizens hold political power. Citizens must simply be able to voice their preferences in some way. I do not mean to suggest that citizens should not hold political power—there may be entirely different reasons for this, such as the protection of their interests—but simply that this is not strictly necessary to solve the epistemic problem about which Hahnel is concerned.

There are also ways that citizens could express their preferences other than through a vote on a council. I have already mentioned the possibility of filling out a survey. As I will discuss in detail in the next section,

the participatory economics model also requires citizens to fill out consumption surveys. More generally, people can express their preferences through individual choices, such as those of consumption or occupation. Such choices need not be made through a collective decision-making body, such as a council, and arguably the preferences of individuals better come to light if each is able to choose for her or himself. Markets also facilitate such individual choices and I will return to markets for consumption goods in the next section. What is important here is that the revealing of preferences does not require democratic political participation. The institutions of workers' and consumers' councils are thus not necessary for revealing preferences and can therefore not be justified in this way.

LIBERTY

Democracy has also been justified based on liberty, as it allows citizens to control the social, legal, and political environment to which they are subjected (Christiano and Sameer 2024, Section 2.1.2.). I am here going to focus on the neo-republican or neo-Roman conception of liberty, which has regained traction in recent years. This conception is particularly relevant for the present subject matter as labour republicans have used it to argue for a democratisation of the economy, much in line with what the participatory economics tradition advocates. Philip Pettit (1997; 2012) and Quentin Skinner (2008) can be credited with providing a modern formulation of the neo-Roman theory of freedom by drawing on early modern political thinkers, such as James Harrington (1977, 1992) and Algernon Sidney (2002), who were in turn inspired by classical philosophy. In the neo-Roman account, freedom is understood in contrast to the master-slave relationship. A slave is unfree because their master can arbitrarily interfere with their life. Even the lucky slave who is left alone by their master remains a slave because their condition is entirely dependent on the goodwill—or, perhaps, apathy—of their master. We are, in contrast, free only when we are not subject to the arbitrary will of another. This neo-Roman conception of liberty has been linked to some form of representation or democratic control. The theory of free states reconstructed by Skinner assumes a representative system of government, although that was historically seen as distinct from pure democracy (Skinner 2008, 59). Pettit (2012, 179ff) argues that citizens must be able to influence political matters. This is meant to prevent citizens from being dominated by an uncontrolled government (Pettit 2012, 181). While Pettit's notion of

popular control is certainly less radical than the democratic vision of participatory economics, it shares the ideal that citizens should have a say over matters that affect them.

Alex Gourevitch (2011; 2013), drawing on the 19th century labour republican tradition (cf., Fink 1983), argues that the master-slave analogy used by neo-Roman republicans can also be applied to wage workers in capitalist market economies. As wage workers are subject to both personal domination by their employers and structural domination, they are in a state of servitude that the labour movement commonly referred to as *wage slavery*. Freeing labourers requires a transformation of work which must include “democratic control over productive assets and equal worker control over the conditions and processes of work” (Gourevitch 2013, 609). Labour republicans are thus likely to be sympathetic towards the model of participatory economics. However, as I will show presently, democratic or worker control of production is insufficient for realising the neo-Roman concept of freedom in the economy.

While the neo-Roman republican tradition is sympathetic to representative or democratic forms of government, it has also stressed the need to constrain the power of the state over individuals through laws and constitutional provisions (Pettit 1997, 93–95, 206–240; 2012, 5; Lovett 2010, 217–220). Democratic control, including the democratic control of work demanded by Gourevitch (2013), is insufficient for preventing domination because it can give rise to a tyranny of the majority (Pettit 2012, 211–213), in which the majority dominates individuals or minorities. Preventing democratic institutions from exerting arbitrary power over individuals—and thereby becoming tyrannical institutions based on domination—requires us to constrain their power so that it cannot be wielded at the mere whim of the majority. For Pettit (2012, 213–215), preventing this requires that individuals can contest majority decisions with the prospect of an impartial judgement. Below, I argue that domination by social institutions can be prevented through the application of general laws. Arguably, such laws are necessary for the prospect of contestation and impartial judgement. If a decision can be contested then there must be some basis for that contestation, such as the decision being a violation of law. Similarly, an impartial judgement requires the application of some general principle to the particular case being judged.

The participatory economics model, at least in its current form, lacks appropriate constraints on the way the majority on a council exercises its power. This can lead to individuals becoming dominated by the majority.

Workers, through their council, collectively control the conditions of labour in their respective production units. The decisions of that council thus have a very significant effect on the lives of individual workers. The council thereby holds power over them. That power is both arbitrary and external to the individual worker. It is arbitrary because the council majority has wide-ranging discretion in their choice of a production proposal. The council can determine what, how, and when labourers produce. In doing so, it will at times go against the interests of some of its members. The power is external to the individual worker because the council is not identical to her. An individual can be outvoted, and in such a case the will expressed in the council's decision is not her own. Accordingly, labourers are subject to an arbitrary will that is not their own and are thus unfree.

The neo-Roman case against participatory economics boils down to this: Freedom requires the absence of arbitrary power, not participation in arbitrary power. In the participatory economics model all workers can partake in arbitrary power but that does not mean they are not also exposed to external arbitrary power. Consider again the case of redundancy. A labourer that faces the prospect of redundancy at the whim of her co-workers is subject to their arbitrary power. The majority on the worker council can, at their discretion, vote for a production proposal that would remove her from the production unit, severely interfering with her life. The mere possibility of such an arbitrary interference is seen by neo-Roman republicans as objectionable, not least because of the behaviours and demeanors it encourages (Skinner 2008, 91-97). A labourer that holds her job at the whim of the majority on the council will become overly concerned with knowing the will of her co-workers so that she can bend to it. She will no longer dare to speak her mind as to not cause offence and will buckle even without any decision against her having been taken. These are behaviours characteristic of a subjugated underling, not a free citizen.

I now respond to two anticipated objections to this neo-Roman case against participatory economics. The first objection is that participatory economics does not fit the master-slave dialectic to which liberty stands in contrast to. All workers have an equal vote on the council and all are affected by its decisions. It is thus not possible to distinguish between workers who are dominated and workers who are dominators. That is, I believe, correct and differentiates participatory economics from traditional systems of domination. However, the presence of arbitrary power does not require there to be clearly distinct social classes, one of which

wields power while the other is subjected to it. Instead, the proposed council system would give all workers some arbitrary power over others while exposing all workers to the arbitrary power of their colleagues. Each worker would thus be both dominator and dominated. Freedom, however, requires that individuals be protected from the arbitrary whims of others, including from those of a democratic majority.

The second objection holds that if the neo-Roman conception of freedom is to be understood as outlined here, it would be impossible to have any sort of social cooperation without that cooperation involving arbitrary power and thus unfreedom. If people are going to produce cooperatively, and not as isolated Robinson Crusoes, then this requires production decisions which will affect multiple people. It would be impossible to get unanimous consent on all such decisions and at least some of these decisions would thus have to be taken against the will of some of the people that are going to be affected. In response to this, it needs to be stressed that not all social interferences with a citizen's life must necessarily be the result of arbitrary power. The *rule of law* is widely recognised as central to the neo-Roman tradition (Pettit 1997, 35-41; Skinner 2008, 44-45; Lovett 2010, 98-99). One possible interpretation of this is that the condition of non-arbitrariness requires the equal application of general laws. When some step is taken to the detriment of a citizen and against their will, this must be done based on an abstract rule. This ensures that such a decision is not taken arbitrarily, for example to punish a citizen for unwanted but lawful behaviour, or to impose some disadvantage upon them. It is thus still possible to socially administer an economy, however this must be done based on general principles and predetermined procedures. A worker may still be made redundant but some rule must clearly specify when this is to be done. This cannot depend on the arbitrary whims of an employer, a state administrator, or the majority on a workers' council.

We have now seen that several justifications of democracy, ones that might at first also seem to speak in favour of participatory economics, do not actually support the participation through councils as envisaged by Albert and Hahnel. Instead, the need for responsiveness to citizens' interests, as well as the ideal of liberty, primarily prescribe the democratic selection and application of general rules and procedures. This must be clearly differentiated from the more concrete planning decisions that councils are tasked with in the participatory economics model. Citizens may still democratically participate in planning, but they primarily do so

through the selection of general planning procedures. The discovery of citizens' preferences also requires citizens to be able to make individual choices that will influence the plan but this is not an exercise in democracy and does not involve councils. I return to the role of such choices in the following discussion of consumer participation.

4. CONSUMER PARTICIPATION

This section will take a closer look at the participation of consumers in the participatory economics model. I show that neighbourhood consumers' councils, as collective decision-making bodies, should not play a significant role in consumption planning. I begin by outlining the role of the councils in the participatory economics model of Albert and Hahnel in more detail. In each stage of the iterative planning process, neighbourhood consumers' councils formulate consumption proposals, that cover both the private individual consumption goods of their members as well as neighbourhood public goods. The councils will be aware of the tentative prices of various goods and can thus make sure that the cost of the goods that they propose to consume does not exceed the sum of the consumption allowances of their members. Consumption allowances are primarily determined by work effort evaluations and accommodations for differentially occurred needs. Federations of consumers' councils maintain the power to reject consumption proposals and are generally expected to do so should the value of the goods requested by a council exceed the allowances of its members. Once consumption proposals have been submitted and compared to the production proposals of worker councils, the Iteration Facilitation Board adjusts prices and the whole process is repeated based on the new prices. This continues until an equilibrium is reached. This means that a neighbourhood consumers' council may have to submit several proposals for the same planning period before a feasible outcome is reached.

In the following, I focus on how neighbourhood consumers' councils develop a consumption proposal, as this is the primary way that citizens get to directly participate in consumption planning. In the first step, the neighbours determine the level of various public goods, such as swings in local parks, that they intend to provide for their neighbourhood. The value of these public goods must subsequently be subtracted from the individual consumption allowances of households. Hahnel (2021, 138) argues that in most cases, councils should default to subtracting an equal share from the allowances of all its members for the provision of public

goods. Once these subtractions have been made, households submit individual consumption requests to the council, specifying the goods that they intend to consume in the next planning period. Household consumption requests must be approved by the council. Hahnel writes that in most cases, this “process is straightforward: Do the [...] official allowances of a household’s members justify the social cost of producing the household’s private consumption request?” (Hahnel 2021, 123–124). In other words, councils simply compare the values of the requested goods, based on the indicative prices provided by the Iteration Facilitation Board, with the remaining consumption allowance of the household.

The question now arises as to whether neighbourhood consumers’ councils also have the power to reject consumption requests by individual households that are consistent with the household’s allowance. This would give neighbourhood consumers’ councils significant power over individual members’ consumption. According to Hahnel’s own standard of affording decision-making power “*in proportion to the degree one is affected by different economic choices*” (Hahnel 2021, 15), this seems inappropriate since an individual’s neighbours will, in most cases, not be significantly impacted by how that individual uses their personal allowance. It also raises serious concerns about the potential restriction of individual freedom and not just from the perspective of the neo-Roman theory of freedom discussed above. To be charitable, I thus assume that councils, at least in most cases, cannot reject a consumption request that is within a household’s allowance. Accepting or rejecting requests would thus be a routine matter of checking that requests are within a household’s allowance, rather than something that might prompt major discussion.

In the context of the rejection of production proposals by other workers’ councils, Hahnel suggests that councils “could even program an automatic reject for any proposal from other councils whose SB/SC [social benefit / social cost] ratio is less than one” (Hahnel 2021, 132). Neighbourhood consumers’ councils could similarly automate the acceptance or rejection of household consumption requests based on whether those requests exceed allowances. This then raises the question as to why the approval of household consumption requests is not left to some algorithm instead of councils. Recall that when ensuring that the Iteration Facilitation Board is not a “central planning board in disguise” (Hahnel 2021, 158), Hahnel stresses that it holds no actual power as its routine operations could in principle be replaced by an algorithm. It would thus be entirely acceptable to allow a perfunctory institution that follows an

algorithmic procedure to perform the mundane task of making sure that household consumption does not exceed allowances. In fact, giving such a task the appearance of democratic participation smells of what one might refer to as *sham participation*. Citizens are given the illusion that they can democratically participate in the formulation of a consumption plan when in reality, they are not (and should not be) afforded actual decision-making power concerning the personal consumption of their neighbours.

Recall that a primary concern of Hahnel's is the gathering of information about individual preferences. As I have already suggested above, there are ways other than democratic participation through which this can be achieved, primarily through individual choices. Filling out a household consumption request form is one way. More traditionally, markets have been ascribed the purpose of gathering such dispersed information (Hayek [1945] 1948). In a consumer goods market, consumers will exchange money for goods of their choice. Their choices can be taken to reveal information about their preferences, which is then also, in an aggregated form, reflected in prices which go up and down with demand. Some socialists have suggested using tokens or vouchers as an alternative to money (Dapprich 2023a). While money facilitates the exchange of property, tokens are redeemed for a corresponding share of the social product. Unlike money, they are deleted when used and thus "do not circulate" (Marx 2007, Chapter 18) further in the economy. They would nonetheless allow citizens to choose what goods to acquire and thereby reveal their preferences. Household consumption requests which must abide by a limited allowance are, in a sense, no different from such tokens once we drop the assumption that a council should get to vote on whether to accept the request. In recent decades, the use of such tokens has primarily been promoted by the Scottish school of computer socialism (Cockshott and Cottrell 1993; Dapprich 2020, 2023a, 2023b; Dapprich and Cockshott 2023). In the Scottish model, the choices of consumers on what they will redeem their tokens influence production decisions through cybernetic feedback control loops (Dapprich 2023b). Citizens provide input to a planning process or algorithm through their choices and, in this way, participate in planning. This avoids the sham participation of neighbourhood consumers' councils, which have the false semblance of democracy.

There is a further significant difference between tokens and the participatory economics model. Tokens are used to distribute a given set of goods after those goods have already been produced. In the participatory

economics model, consumers submit their consumption request or “wish list” (Albert and Hahnel 1991, 65) long before they receive the requested goods. Grünberg (2023, 29ff), in his critique of participatory planning, interprets this requirement for pre-orders in the participatory economics tradition as the intention to pre-plan not just production but also consumption. Consumers must, at least preliminarily, commit to certain consumption goods so that worker councils can know what the demand for various future goods is. Pre-orders thus fulfill an epistemological role. Future needs are discovered by simply asking people what they think they will need a month or a year from now. This process can also be seen to fit with the participatory ideal, as each citizen thus influences future production of consumption goods through their requests (Grünberg 2023, 30). Grünberg (2023) doubts whether pre-orders would indeed be a reliable source of information about the future as consumers would not be able to anticipate their actual future needs. These could, for example, arise out of unforeseen circumstances, such as a washing machine breaking down (Grünberg 2023, 31). Predicting future demand through pre-orders is inadequate because it attempts to predict more than is necessary (Dapprich 2020, 83). To formulate an adequate production plan, it is entirely sufficient to have an estimate of the total demand for a good. At the point of production planning, it is not necessary to know in detail which precise households will be using the products once it can be made available to end consumers. So, it is in fact not necessary that consumers be able to predict whether they will need a new washing machine next year. It is sufficient for there to be a societal estimate for the overall need for washing machines so that production can be planned accordingly. One alternative way of doing this might be to use machine learning to predict future demand (Dapprich and Cockshott 2023, 421; Grünberg 2023). If machine learning should indeed turn out to be able to make better predictions about total demand than consumers, as I expect it will, this significantly undermines the epistemological case for consumer participation.

It has at this point become clear that neighbourhood consumers' councils are inadequate for dealing with individual household consumption. Democratic neighbourhood institutions should not play a significant role in the personal consumption of individual neighbours, nor can they overcome the epistemological challenge of predicting future demand. Democratic institutions are, however, much more appropriate for dealing with the provision of *public* goods, such as neighbourhood parks. Public

goods are freely available for anyone to use and are thus of wider public interest, as opposed to being just the personal business of an individual consumer. Overcoming the free-rider problem in the provision of public goods, which Hahnel (2021, 134) is rightfully concerned about, also requires that these goods be provided collectively. Since it would be inefficient or even impossible to charge citizens for the use of public goods, they must, in some way, be provided out of public funds. This need is also recognised in contemporary capitalist economies, where the state plays a significant role in the provision of public goods. But, as Hahnel (2021, 134) notes, expressing individual preferences for public goods can be frustrating in a representative system of government where one would have to successfully lobby elected representatives for one's preferences for public goods to be considered. It is thus a reasonable demand that citizens should be able to express their preferences for public goods more directly.

For good reasons, Hahnel (2021, 133ff.) does not propose that the provision of public goods should just be subject to a majority vote on a council. A simple example illustrates why this would be inappropriate. Consider a neighbourhood where 60% of citizens enjoy playing football, while the remaining 40% enjoy playing tennis. When the neighbourhood consumers' council is tasked with distributing funds between the provision of public football fields and tennis courts, the football-loving majority could outvote the tennis enthusiasts to assign all available funds to the construction and maintenance of football pitches. The interests of the minority are in danger of being neglected in such a majority vote. However, this is not what Hahnel suggests. While Hahnel assumes that democratic neighbourhood consumers' councils are in principle in charge of the provision of neighbourhood public goods, councils should determine funding-levels for various public goods through willingness-to-pay surveys. Funding for tennis courts would reflect what tennis enthusiasts state they would be willing to pay to have access to those goods. Hahnel proposes a tax policy that is supposed to remove perverse incentives when responding to such surveys (Hahnel 2021, 137-138). This is meant to ensure that the responses can be trusted to accurately reflect citizens' preferences for public goods. This preference-revealing mechanism also addresses our case, as the expressed preferences of tennis enthusiasts would be reflected in the funding of public goods.

The use of surveys, however, further reduces the significance of the neighbourhood consumers' councils. Citizens now participate by

responding to surveys and notas voting members of the council. This is entirely appropriate based on Hahnel's intention to discover preferences and I do not have any objection to it. However, it further undermines the picture of councils running the economy, which the participatory economics tradition attempts to paint. It instead seems that the neighbourhood consumers' councils in the model do, or at least should do, very little, if anything at all. Instead, consumption proposals derive from the public goods surveys and consumption requests submitted by individual households. The surveys and requests do not need to be collected by a neighbourhood council; they might as well be collected by some perfunctory administration, perhaps the same institution that facilitates iterative planning by adjusting prices.

5. CONCLUSION

Let me now recap the two main insights of my critical discussion of the participatory economics model and then briefly summarise the alternative perspective that my discussion of ParEcon suggests. The first major insight was gained by considering whether common justifications of democracy also speak in favour of citizen councils planning the economy. The protection of citizens' interests speaks in favour of democracy, however citizens' interests are best protected when they vote on general institutions and procedures. This ensures that citizens do not only consider their interests in a particular case, which might lead to the interests of minorities in that case being ignored entirely, but instead also consider the outcomes of future applications of those procedures, which may affect them differently. The gathering of information about individual preferences requires that citizens can express those preferences in some way. However, a vote on a collective decision-making body, such as a council, is not the best way to do so. Preferences can be much better expressed through individual choices, such as consumption choices. As I showed in Section 4, the participatory economics model does indeed draw on such individual choices as well. Finally, liberty, as understood in the neo-Roman republican tradition, requires laws and constitutional constraints which protect citizens from arbitrary power. The lack of such provisions exposes workers to the arbitrary will of the majority on their workers' council, which thereby dominates them and undermines their freedom.

The second major insight was gained by taking a closer look at the actual consumption planning procedure in the participatory economics model. I showed that the participatory input is, or at least should be,

primarily derived from individual household consumption requests and responses to public goods surveys. As voting members of councils, citizens have relatively little to vote on. For the most part, they simply must carry out the mundane tasks of collecting forms from households and making sure the consumption requests are in accordance with the households' allowances. Relying on individual choices rather than collective decision-making in a council, is in accordance with the underlying values of participatory economics. It allows for the collection of information about individual preferences and makes sure that those who are most affected by it, the consumers themselves, can decide on their own personal consumption. However, giving this process the semblance of a democracy in which citizens can participate in economic decision-making as voting members of a council can be described as a form of *sham participation*. The participatory economics tradition should be more honest about the limited role that these councils in fact have.

I now outline the alternative to the council system that emerges from my critical discussion of the participatory economics model. Rather than voting on production or consumption proposals as members of a council, citizens vote, perhaps in a general referendum, on the fundamental institutions and procedures of planning. This is the primary way in which individuals participate in the governing of the economy as democratic citizens. Ideally, these procedures will be designed such that citizens are protected from arbitrary power, whether it is the power of managers, state planners, co-workers, or neighbours. For example, the procedures might limit the conditions under which a worker might be made redundant, so that workers are not subject to the whim of another or others. The planning procedures should also include opportunities for citizens to make choices regarding their occupation and consumption, which may in part correspond to mechanisms of the participatory economics model. Economic planning should be guided by these choices so that it is responsive to the interests of the population. Citizens should thus influence concrete economic plans not as democratic constituents but as private citizens expressing their preferences through their choices. This picture differs from the participatory economics model because no role whatsoever is given to worker or neighbourhood consumers' councils. I propose that the mundane tasks of managing the economy are entirely left to perfunctory institutions, which, much like the Iteration Facilitation Board, simply execute an automated algorithmic procedure. These institutions are to be set up and regulated through democratic laws and subjected to judicial

review by courts to ensure they follow the laws decided upon by the citizenry. This picture is more appropriate and honest about the decision-making power that citizens have, as it does not give the false impression that they participate in everyday planning as political constituents.

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Jan Philipp Dapprich is a postdoctoral researcher in political theory at the University of Potsdam. His research spans from political philosophy to heterodox political economy. His recent publications include 'Cybersocialism and the Future of the Socialist Calculation Debate' (*Erasmus Journal for Philosophy and Economics* 17(1), 2024), 'Optimal Planning with Consumer Feedback: A Simulation of a Socialist Economy' (*Review of Political Economy* 35 (4), 2023), and 'Tokens make the world go round: socialist tokens as an alternative to money' (*Review of Evolutionary Political Economy* 4, 2023).

Contact e-mail: <dapprich@uni-potsdam.de>