

# **Beyond the Market Economy and Statist Planning: Towards Democratic Planning as part of a Confederal Inclusive Democracy**

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## ***The history of this paper and Das Argument's attempt to censor it***

*The following article had first been sent for publication to the German Marxist journal [Das Argument](#), following a request by Daniel Fastner, a member of its Editorial Committee, dated October 28, 2009 stating that:*

*“We believe like you that a left project for a better society has to put forward some ideas how that could be feasible. It has in advance to account for problems which might occur on an organisational level. As inclusive democracy is one of the very few serious attempts to take up this task we would be happy to include an article of yours into our issue”*

*In a bona fide attempt on my behalf to open a comradely dialogue and in the hope to find a common ground of discourse under the present critical circumstances, despite the obvious differences between two very different political projects like the Marxist and the ID ones and the serious time constraints I faced at the time and the relatively short notice given to me, I immediately accepted this invitation. Although the manuscript sent to Das Argument a few months later was longer than their requirements, in a spirit of cooperation again, I even accepted their request to shorten it themselves —a practice I seldom adopt because of the obvious risks of deleting important parts of the paper, etc. Unfortunately, the shortened version sent back to me was completely unacceptable, as it was omitting important to my argument points. Yet, even at this point, I did not abandon the effort and I counter proposed to remove the entire first section of the paper and leave the rest intact —an arrangement that would meet their space requirements. However, although Daniel accepted my proposal and I spent more time in making the necessary amendments, after we had finalized the text for translation, I received out of the blue a letter from another member of the editorial group (Alban Werner) in which he states:*

*“I’m afraid I have to tell you that in the end we were not able to publish your essay in our latest issue of "Das Argument" because there just was not enough space available, and we could just not shorten your text any further. We will contact you if the debate on economic planning is continued in our journal, because in this case (and with the necessary space) we would still be interested in your contribution”.*

*At this point, and given that the issue of length had to all intents and purposed already been resolved, it was clear to me, particularly after examining the details of the parts they wanted*

*to be deleted, that it was political considerations that motivated them to drop my contribution and that the length issue was just a pretext. I therefore sent them the following message, which ended this deplorable story:*

*“I was away and I just returned to my base when I saw your message, which I consider completely unacceptable. As you know, I spent considerable part of my very scarce time (even delaying delivering the manuscript of a new book of mine whose deadline has already expired) in order to write and then shorten the paper, as you requested. At no stage you told me that the paper might not be published at all, as it is obvious by your message now which does not even commit yourselves to publish it in the very next issue! I consider this a clear attempt of censorship, at the very moment I thought that the old Marxist practices have been forgotten and we could, after all, reach a common ground under the present critical circumstances”. Takis*

***(Note: The article is published below in its full version before any cuts have been made to it)***

## **The failure of market economy and statist planning**

The failure of both the capitalist market economy and statist planning is now almost generally accepted.

As regards the former, it was the concentration of economic power, as a result of commodity relations and the grow-or-die dynamic of the market economy, which has led to a chronic economic crisis and its present deterioration. A parallel concentration of political power in modernity has led to the development of the political complement of the market economy i.e. representative “democracy,” as the type of state form that was most compatible with it.<sup>[1]</sup> In the era of neoliberal globalisation, in particular, it can be shown that the decisive element of the economic crisis consists of the fact that the system of the market economy is not *inherently* capable of creating an economically even world. This is the result of the fact that the concentration of economic power and the parallel growing inequality all over the world are not just consequences, but also *preconditions* for the reproduction of the market/growth economy, both from the economic and the ecological points of view. In other words, it is the dynamics of the market economy itself, in association with the role of the state in supporting this dynamics, which has led, first, to the historical concentration of economic power within each country and, then, to the present internationalised market economy characterised by a gigantic concentration of economic power at the world level, mostly in the hands of the Transnational Corporations, and a corresponding concentration of political and economic power in the hands of the transnational elite.<sup>[2]</sup>

The outcome of the present universalisation of the market/growth economy in its present neoliberal form —necessitated by the opening of the markets due to the massive expansion of transnational corporations in the last quarter of a century or so— is the creation of a **bipolar world** consisting, on the one hand, of a world, which includes the privileged social groups created by globalisation, either in the North or the South, and, on the other, a second pole, which is left out of the supposedly “universal” benefits of neoliberal globalisation and which

includes the marginalised majority of the world population, either in the North or the South. Similarly, as I tried to show elsewhere,<sup>[3]</sup> the ultimate cause of the present deepening global recession —as a result of the financial crisis that began September 2008 and which has now developed into a sovereign debt markets crisis threatening the economic stability of entire countries like those in the European South, if not that of the Eurozone itself and beyond— is again the huge concentration of income and wealth following the opening and deregulation of world markets.

As regards the latter, we should notice, first, that regardless of the overall economic failure of “actually existing socialism,” it cannot be disputed that this system had in its record several major achievements, as even the World Bank recognised.<sup>[4]</sup>

The achievements of the planned system were considerable. They included increased output, industrialisation, the provision of basic education, health care, housing and jobs to entire populations, and a seeming imperviousness to the Great Depression of the 1930s. Incomes were relatively equally distributed, and an extensive, if inefficient, welfare state ensured everyone access to basic goods and services.

In fact, as I pointed out elsewhere,<sup>[5]</sup> one could single out two achievements which are of particular significance, especially in view of their fate after the collapse of this system. The first achievement was to eliminate the insecurity created by open unemployment and the resulting marginalization of the individual, although this was achieved, of course, at the expense of widespread “disguised” unemployment. However, if, to the liberals, disguised unemployment was a symptom of economic inefficiency, to the socialists, it was just an inevitable consequence of social policy. The second achievement was that, despite the considerable inequalities induced by the institutionalised privileges and various economic benefits enjoyed by the bureaucracy, the degree of inequality in the distribution of income was lower in the countries under “actually existing socialism,” than in Western countries at the same level of development, as it was shown by reliable Western studies.<sup>[6]</sup> Taking into account these major achievements of ‘actually existing socialism’, as well as the fact that had the Soviet block been in existence in the 1990s and 2000s it could have played a major role in containing the second superpower from major crimes, like the ones it perpetuated in Yugoslavia, Iraq and Afghanistan, I would strongly disagree with Left intellectuals like Castoriadis or Chomsky who celebrated the collapse of this system, as a kind of “victory”.<sup>[7]</sup>

I would not of course dispute the fact that this regime did not secure political or even economic democracy, in the sense I defined it elsewhere.<sup>[8]</sup> Yet, Western democracies are not democracies in the proper sense of the word either. In both types of regimes political and economic power is concentrated in the hands of elites, the only difference being that the degree of *political* dependence of the average Western citizen was smaller than that of the citizen in East Europe, whereas the opposite was true as regards *economic* dependence. In other words, given that the average citizen in the East had a secure job and his/her basic needs were covered —albeit at an elementary level— the degree of economic dependence was smaller in the East than in the West. This became particularly obvious after the collapse of the socialdemocratic consensus in the West. So, I would argue that the collapse of the ‘socialist’ regimes could only have been characterised as a “victory” if it had indeed eliminated barriers

to authentic socialism. But, far from doing this, it may have created even more barriers. The fact that people enjoy now more political freedoms (in the narrow sense of human rights which has little to do with self-determination) than before means little, as even a liberal economist like J.K. Galbraith admitted, when at the same time they are deprived of even the most basic economic freedoms.

Following the collapse of both forms of statist socialism (“actually existing socialism” and social democracy) there has been a corresponding effective dissolution of traditional antisystemic movements, both old (socialist and anarchist) and “new” (Green, feminist, etc.) which are presently in a stage of serious, if not terminal, decay<sup>[9]</sup>. Although these movements are still around, they have predominantly lost their antisystemic character and continue to exist either as explicitly reformist movements (most communist parties, many anarchist currents and all the “new movements”) or as supposedly antisystemic moments, which however do not raise any explicit antisystemic demands, adopting instead the familiar “popular front” practice of the Left around a program of reformist demands (Trotskyites and others). In fact, the present effective dissolution of antisystemic movements could be explained not only in terms of the change in the systemic parameters in the post Second World War modernity (mainly changes in the class structure as a result of the shift from statist to neoliberal modernity) but also in terms of a parallel ideological crisis as a result of the related rise of postmodernism and its dismissal of any kind of a universal political project and irrationalism.

In this context, the discourse on the concrete form a future liberatory society in should take becomes imperative, given the catastrophic loss of confidence in the belief at the feasibility of alternative forms of economic organisation, following the failure of socialist planning. Although, in the midst of the most serious capitalist crisis since the 1930s, an anticapitalist consciousness is lately flourishing, the lack of a mass antisystemic movement based on a concrete and feasible project for an alternative society to capitalism leads us to a situation which I often compared to the 1840s, when people, in a similar situation characterised by the absence of a mass antisystemic movement based on a concrete political project (like the socialist project which began developing at the time), resorted to spontaneous insurrections against the capitalist system and were easily repressed by it. It is therefore very important to demonstrate that an alternative form of society, beyond both the capitalist market economy and the “actually existing socialism,” is not only necessary but feasible as well, and furthermore, to attempt to outline how such an alternative society might try to sort out the basic socio-economic problems that any society has to deal with under conditions of scarce resources and not in an imagined state of post-scarcity. Such an attempt may not only help supporters of an antisystemic project form a more concrete idea of the society they wish to see but also assist them in addressing the “utopianism” criticisms raised against them.

## Why Democratic Planning?

In light of the above discussion it is therefore crucially important to develop concrete proposals on *how* a democratically planned economy could be *achieved*, and *how* it is to *function* and *which tasks* would have to be performed *by whom* in a division of labour that aims at the equal distribution of economic power, and generally of political and social power among all members of a classless society, irrespective of race, gender and cultural identity. This is exactly what the Inclusive Democracy (ID) project attempts to do in proposing a

democratic planning within an economic democracy, as a main component of an Inclusive Democracy. However, before we examine this proposal in more detail, the question arises: why do we need democratic planning in the first place? To answer this question we have to refer to the problem of the mechanism that would secure a fair and efficient allocation of resources in a society. The problem is particularly crucial today, as I discussed in the previous section, because it has become more than obvious that both mechanisms that were developed historically to deal with this problem, that is, the market mechanism and central planning, have failed miserably.

Thus, as regards first the market mechanism, apart from the nonsensical arguments of classical and neoclassical economists that the free combination of individual rational decisions leads to a socially rational allocation (which was shown to be a fantasy even by orthodox economists like Keynes<sup>[10]</sup>), the only major argument in favour of this system is, to my mind, the alleged freedom of choice that it secures. However, the freedom of choice that the market economy system supposedly secures, in reality, means “rationing by the wallet”. Thus, citizens in a market economy system are not free to choose either as consumers or as producers: as consumers, because their choice is constrained by their income/wealth; as producers, because the “decisions” about what and how to produce are taken for them by the market. Furthermore, producers are crucially constrained by their purchasing power, as their access to productive resources and, therefore, their productivity depends on their financial ability. In other words, in a market economy system, the basic economic decisions that a society has to take (i.e., *what* to produce, *how* and *for whom* to produce it) are crucially conditioned by the purchasing power of those income groups that can back their demands with money. A continuous bidding is going on for goods, services, resources, and those with the biggest purchasing power are the winners. Thus, the market economy system, contrary to liberal mythology, is the worst system for allocating resources when purchasing power is unequally distributed. Under conditions of uneven development and inequality, which is of course an inevitable outcome of the dynamics of the market economy, the fundamental contradiction regarding the market satisfaction of human needs becomes obvious: namely, the contradiction between the *potential* satisfactions of the basic *needs* of the whole population versus the *actual* satisfactions of the money-backed *wants* of part of it.

In contrast to the automatic character of the market, planning is a consciously controlled mechanism of allocating resources. There are many varieties of planning both in theory and in historical experience. Excluding the case of *indicative planning*, that is, planning within a market economy system (e.g., post-war French planning) which is basically a form of macro-economic management in a mixed economy, planning can be either *centralised* or *decentralised*. An extreme form of centralised planning was the Stalinist model where the Planning Bureau (in other words, the bureaucrats/technocrats of the Soviet elite) determined the level of output, its mix, the methods of production to be used, distribution, etc., and passed on the orders from top to bottom. However, centralised planning not only leads to irrationalities (which had eventually led to its collapse) and is not effective in covering all needs but it is also highly undemocratic, despite the fact that, as we saw above, it had achieved security of employment and a better distribution of income (although not a better distribution of power) than for countries at a similar level of development.

Following the failure of centralised planning, Marxist economists like Ernest Mandel<sup>[11]</sup>

proposed a form of “democratically centralised planning” which, in a transitional phase, combines workers’ self-management and the state, until the latter eventually —in classical Marxist fashion— withers away. However, this form of planning still suffers from the problem that it ignores the dialectic of statism. In other words, it ignores the fact that the bureaucrats who control the state apparatus can not be prevented, within such an institutional framework, from institutionalising, formally or informally, significant privileges for themselves and creating such powerful interests that will eventually corrode the organs of self-management, rather than the other way around. On the other hand, other Marxists attempted to dissociate socialism (in the sense of social ownership of the means of production) from planning and suggested various forms of a “social market” or a “socialist market economy” and ended up in practice with proposals which constituted a synthesis of the worst elements of the market economy and those of “socialism,” as the case of the “socialist market economy with Chinese characteristics” illustrates!<sup>[12]</sup>

But, if both central planning and the market economy inevitably lead to concentration of power, then neither the former nor the latter can produce the sort of information flows and incentives which are necessary for the best functioning of any economic system. It is therefore only through genuine democratic processes that these problems may be solved effectively. In fact, as it will be shown below, it is possible to devise a truly democratic process of economic decision-taking, namely, a system that may combine an Inclusive Democracy and planning on the one hand and freedom of choice on the other. But, such a system has to assume away what ‘civil societarians’ take for granted: a market economy and a “statist” democracy.

## **Economic Democracy as part of an Inclusive Democracy (ID)**

A fruitful way to define inclusive democracy may be to distinguish between the two main societal realms, the public and the private, to which we may add an “ecological realm,” defined as the sphere of the relations between the natural and the social worlds. In this conception, the public realm, contrary to the practice of many supporters of the republican or democratic project (Hannah Arendt, Cornelius Castoriadis "Castoriadis", Murray Bookchin, "Bookchin" et. al.) includes not just the political realm, but also the economic realm, as well as a ‘social’ realm; in other words, any area of human activity in which decisions can be taken collectively and democratically. The political realm is defined as the sphere of political decision-taking, the area in which political power is exercised. The economic realm is defined as the sphere of economic decision-taking, the area in which economic power is exercised with respect to the broad economic choices that any scarcity society has to make. Finally, the social realm is defined as the sphere of decision-taking in the workplace, in education and any other economic or cultural institution which is a constituent element of a democratic society.

It is therefore obvious that the extension of the traditional public realm to include the economic, ecological and “social” realms is an indispensable element of an Inclusive Democracy. Correspondingly, we may distinguish between four main constituent elements of an Inclusive Democracy: the political, the economic, the “democracy in the social realm” and the ecological democracy. The first three elements constitute the institutional framework which aims at the equal distribution of political, economic and social power respectively; in other words, the system which aims at the effective elimination of the domination of human

being over human being. Similarly, ecological democracy is defined as the institutional framework which aims at the elimination of any human attempt to dominate the natural world, in other words, the system which aims to reintegrate humans and nature.

In this sense, Inclusive Democracy is a new conception of democracy, which, using as a starting point the classical definition of it, expresses democracy in terms of direct political democracy, economic democracy (beyond the confines of the market economy and state planning), as well as democracy in the social realm and ecological democracy. In short, Inclusive Democracy is a form of social organisation which re-integrates society with economy, polity and nature. The concept of Inclusive Democracy is derived from a synthesis of two major historical traditions, the classical democratic and the socialist, although it also encompasses radical green, feminist, and liberation movements in the South. Within the problematique of the ID project, it is assumed that the world, at the beginning of the new millennium, faces a multi-dimensional crisis (economic, ecological, social, cultural and political) which is caused by the concentration of power in the hands of various elites, as a result of the establishment, in the last few centuries, of the system of market economy, representative “democracy” and the related forms of hierarchical structure. In this sense, an inclusive democracy, which involves the equal distribution of power at all levels, is seen not as a utopia (in the negative sense of the word) but as perhaps the only way out of the present crisis.

Coming now to the economic democracy component of an Inclusive Democracy, in particular, if we define political democracy as the authority of the people (*demos*) in the political sphere—which implies the existence of political equality in the sense of equal distribution of political power—then economic democracy could be correspondingly defined as the authority of *demos* in the economic sphere—which implies the existence of economic equality in the sense of equal distribution of economic power. We are talking about the *demos* and not the state, because the existence of a state means the separation of the citizen body from the political and economic process. Economic democracy therefore relates to every social system which institutionalises the integration of society and the economy. This means that, ultimately, the *demos* controls the economic process, within an institutional framework of *demotic* ownership of the means of production.

In a more narrow sense, economic democracy also relates to every social system which institutionalises the minimisation of socio-economic differences, particularly those arising out of the unequal distribution of private property and the consequent unequal distribution of income and wealth. Historically, it is in this narrow sense that attempts were made by socialists to introduce economic democracy. Therefore, in contrast to the institutionalisation of political democracy, there has never been a corresponding example of an institutionalised economic democracy in the broad sense defined above. In other words, even when socialist attempts to reduce the degree of inequality in the distribution of income and wealth were successful, they were never associated with meaningful attempts to establish a system of equal distribution of economic power. This has been the case, despite the fact that in the type of society which has emerged since the rise of the market economy, there has been a definite shift of the economy from the private realm into what Hannah Arendt called the “social realm,” to which the nation-state also belongs. But, it is this shift which makes any talk about democracy, which does not also refer to the question of economic power, ring hollow. In other words, to talk today about the equal sharing of political power, without conditioning it

on the equal sharing of economic power, is meaningless.

So, on the basis of the definition of political democracy given earlier, the following conditions have to be satisfied for a society to be characterised as an economic democracy:

- a) there are no institutionalised economic *processes* of an oligarchic nature. This means that all “macro” economic decisions, namely, decisions concerning the running of the economy as a whole (overall level of production, consumption and investment, amounts of work and leisure implied, technologies to be used, etc.) are taken by the citizen body collectively and without representation and implemented through a democratic planning process, although “micro” economic decisions at the workplace or the household levels are taken by the individual production or consumption unit respectively, and,
- b) there are no institutionalised economic *structures* embodying unequal economic power relations. Any inequality of income is therefore the result of additional voluntary work at the individual level. Such additional work, beyond that required by any capable member of society for the satisfaction of basic needs, allows only for additional consumption, as no individual accumulation of capital is possible, and any wealth accumulated as a result of additional work is not inherited. Thus, *demotic* ownership of the economy provides the economic structure for democratic ownership, whereas direct citizen participation in economic decisions provides the framework for a comprehensively democratic control process of the economy. The *demos*, therefore, becomes the authentic unit of economic life, since economic democracy is not feasible today unless both the ownership and control of productive resources are organised at the local level. So, unlike the other definitions of economic democracy, the definition given here involves the explicit negation of economic power and implies the authority of the people in the economic sphere. In this sense, economic democracy is the counterpart, as well as the foundation, of direct democracy and of an Inclusive Democracy in general.

## Democratic Planning and Economic Democracy

An examination of the preconditions of economic democracy makes clear its interdependence with democratic planning. Thus, for economic democracy to be feasible three main preconditions have to be met:

- a) *demotic* self-reliance, i.e. a *demos*-centred self-reliance,
- b) *demotic* ownership of productive resources, which implies that the means of production and distribution are collectively owned and controlled by the *demos*, i.e. the citizen body directly, and,
- c) confederal allocation of resources.

Self-reliance is meant here in terms of autonomy, rather than in terms of self-sufficiency, which, under today’s conditions, is neither feasible nor desirable. Thus, although self-reliance implies maximal utilisation of local resources and sources of energy, it should not be confused with autarchy and should always be seen within the context of confederalism. As the direct



democratic control of the economy and society is only possible today in a highly decentralised society, it is obvious that self-reliance is a necessary condition for political and economic autonomy. However, it is not only the demand for autonomy that necessitates self-reliance, so that control over one's own affairs can be restored. Self-reliance becomes also necessary by the fact that the historical trend away from self-reliance, which has reached its peak in the present era of globalisation, has had important adverse implications at the macro-economic, the cultural, the environmental and the social levels. At the macro-economic level, billions of people all over the world have been condemned by the market forces (that ultimately control their fate once they have moved away from self-reliance) to unemployment, poverty and even starvation. At the cultural level, the shift away from self-reliance has led to the dismantling of the social ties and values that unite communities, or even whole cultures. The *market values* of competitiveness and individualism have replaced the *community values* of solidarity and co-operation, thus transforming human beings into passive citizens; in fact, mainly consumers. At the environmental level, the trend away from self-reliance has led to the irrationality of a system that has to rely, for its everyday functioning, on the transport of goods and people over huge distances, with all the implications on the environment that this massive movement implies. Thus, self-reliant communities constitute today the only way to reverse the process of overproduction and overconsumption that is the main effect of the "growth economy," as well as the main cause of the ecological threat.

The radical decentralisation involved in this process (which, initially, could just be institutional and not necessarily *physical* as well), in fact, implies the reversal of the type of development which historically has identified Progress with economic growth and efficiency. In fact, a form of decentralisation is already taking place, as part of the internationalisation of the market economy today, but this is only physical decentralisation not economic, since economic power remains at the metropolitan centres. The very dynamics of the neoliberal phase, which is a process of liberating markets from the 'constraints' imposed by the state in the statist phase of mercerization, led to further concentration of economic power at the metropolitan centres, which simply transfer part of the production process to the low cost 'paradises' of the East (China, <sup>[13]</sup> India, etc.). On the other hand, a self-reliant decentralisation can only be founded on the horizontal interdependence of economically self-reliant communities (*demoi*). The economic relations between the confederated *demoi* should therefore be structured in a way to enhance mutual self-reliance, in the context of collective support, rather than domination and dependency, as today. This could only be achieved within the framework of a confederal democratic planning process.

Similarly, as regards the *demotic* ownership of productive resources, it can also be shown that democratic planning is a necessary complement of it. At the outset, it is obvious that economic democracy requires another type of social ownership which secures a democratic ownership *and* control of productive resources and that neither private ownership nor a socialist system of ownership can secure both.

Thus, private ownership of productive resources, irrespective of whether it is combined with a market system or not, implies control of resources to serve *particular* interests (of capitalists, shareholders, managers and/or employees) rather than the general interest.

The socialist system of ownership implies a "social ownership" of the means of production, which can exist within either the market or the planning system. Historically it has taken two

main forms, i.e. nationalised enterprises and collectivised self-managed enterprises.

In nationalised enterprises, a real divorce between ownership and control is introduced. Thus, whereas formal ownership belongs to society at large, effective control of production is left to either technocratic elites (in a market economy system) or to bureaucratic elites (in a planned system) which take all important economic decisions.

In collectivised self-managed enterprises, the ownership belongs, wholly or partially, to the workers/employees of the enterprise. The main problem with such self-managed enterprises is that the more independent of each other and of society at large they are, the more they tend to satisfy the *particular* interest of their employees, as against the general interest of citizens in the *demos*. Also, to survive in a competitive world, they usually have to use the same production methods as capitalist firms (methods which may be alienating, damaging to the environment, labour saving, etc.). Furthermore, collectivised self-managed enterprises tend to compete with each other for productive resources (natural, labour, etc.) in a way very similar to the competition among capitalist firms. Finally, such forms of self-management cannot secure the autonomy of the worker as citizen. Thus, although some forms of it, supported by syndicalists and parts of the green movement, may promote democratic procedures within the enterprise, they do nothing to promote democracy in general, or for the community as a whole. So, these forms of self-management, as Bookchin<sup>[14]</sup> observed, usually represent “exploitative production with the complicity of the workers” since they cannot guarantee freedom from the tyranny of the factory and rationalised labour.

It is therefore obvious that economic democracy requires another type of social ownership, which secures a democratic ownership *and* control of productive resources and that the only form of ownership which can guarantee it is *demotic* ownership. This type of ownership leads to the politicisation of the economy--the real synthesis of economy and polity. Furthermore, this framework, by definition, excludes any divorce of ownership from control and secures the pursuit of the general interest. This is so because economic decision making is carried out by the entire *demos*, through the *demotic* assemblies, where people take the fundamental macro-economic decisions which affect all the *demos*, **as citizens**, rather than as vocationally oriented groups (workers, technicians, engineers, farmers, etc.). At the same time, people at the workplace, apart from participating in the *demotic* decisions as **citizens** determining the overall planning targets, would also participate **as workers** (in the above broad sense of vocationally oriented groups) in their respective workplace assemblies, in a process of modifying/implementing the Democratic Plan and in running their own workplace. Therefore, **the democratic planning** process would be a process of continuous information feedback from *demotic* assemblies to workplace assemblies and back again.

## How Democratic Planning works

As regards the final precondition of economic democracy, i.e. the confederal allocation of resources, the main assumptions on which this type of allocation is based are as follows:

- the ultimate *policy-making* decision institution in each self-reliant *demos* is the *demotic* assembly —i.e. the assembly of the citizen body;
- the *demoi* are co-ordinated through regional and confederal assemblies of mandated,

recallable and (possibly) rotating delegates Their function is co-ordinating and implementing the policies formulated by the *demotic* assemblies and it is therefore mainly administrative and not a policy-making one, like the function of representatives in the system of representative “democracy”.

- productive resources belong to each *demos* and are leased to the employees of each production unit (the *demotic enterprise*) on a contract basis;
- all production in an Inclusive Democracy takes place in *demotic* enterprises, i.e. enterprises which are owned by the *demos* and leased to citizens on a contract basis. The overall running of *demotic* enterprises is carried out by workplace assemblies, which function both as institutions of ‘democracy in the social realm’ and as fundamental components of economic democracy, given their role in the process of democratic planning. As such, workplace assemblies, together with *demotic* assemblies, constitute the core of an Inclusive Democracy. The day-to day running of *demotic* enterprises could be carried out by a supervisory board appointed by the workplace assembly, which could include personnel with specialised knowledge; its members would be constantly recallable by the workplace assembly, apart from being indirectly controlled by the citizens’ assemblies. Finally,
- the aim of production is not growth per se but the satisfaction of the basic needs of the *demos* and those non-basic needs for which members of the *demos* express a desire, and are willing to work extra for.

The *demotic* assembly, which is the basic unit of decision making in a confederal ID, delegates power to *demotic* courts, militias and other executive organs. However, although self-reliance implies that many decisions can be taken at the level of the *demos*, many issues have to be dealt with at the regional/national/supra-national level. Here belong problems generated by the unequal distribution of energy supplies, natural resources and the consequent unequal distribution of income between the confederated *demos*; problems generated by the free mobility of labour between *demos* or by the exchanges of goods and services between individual citizens of different *demos* or between the confederated *demos* themselves; problems created by the supra-local character of the environmental implications of production and consumption; problems of transportation/communication; problems of technology transfer, etc.

Furthermore, apart from the above problems of co-ordination, there is the problem of the mechanism that would secure a fair and efficient allocation of resources both within the *demos* and between *demos*, so that the citizens’ needs are met. The dominant characteristic of the proposed confederal planning, which differentiates it from similar models of centralised or decentralised planning, is that, although it does not depend on the prior abolition of scarcity, it does secure the satisfaction of the basic needs of all citizens, as well as freedom of choice. The former requires that basic macro-economic decisions are taken democratically, whereas the latter requires citizens to take, individually, important decisions affecting their own lives (what work to do, what to consume, etc.). The cornerstone of the proposed model, which also constitutes its basic feature differentiating it from socialist planning models, is that it explicitly presupposes a stateless, moneyless and marketless economy, which precludes the institutionalisation of privileges for some sections of society and private accumulation of wealth, without having to rely on a mythical post-scarcity state of abundance.

The general criterion for the allocation of resources is not efficiency, as it is currently defined

in narrow techno- economic terms. Instead, efficiency should be redefined to mean effectiveness in satisfying human needs and not just money-backed wants. The allocation of economic resources is envisaged as being implemented through a combination of:

- a) a democratic planning mechanism, which is based on the citizens' collective decisions, as expressed through the *demotic* and confederal plans that involve the creation of a feedback process between workplace assemblies, *demotic* assemblies and the confederal assembly, and,
- b) an artificial 'market', which is based on the citizens' individual choices, as expressed through a voucher (or a *demotic* credit card) system that secures a genuine freedom of choice, without incurring the adverse effects associated with real markets.

As far as the meaning of needs is concerned, a distinction is introduced between basic and non-basic needs and a similar one between needs and '*satisfiers*' (the form or the means by which these needs are satisfied). The differentiation between basic and non-basic needs is crucial, as it implies a corresponding division of the economy between a basic needs sector and a non-basic needs sector. This distinction is necessary because each sector is assumed to function on a different principle. The "basic needs" sector functions on the basis of the communist principle "from each according to his/her ability to each according to his/her needs," whereas the "non-basic needs" sector is assumed to function on the basis of an artificial "market" that balances demand and supply, in a way that secures the sovereignty of both consumers and producers. What constitutes a basic need, as well as the level of basic need-satisfaction, is determined collectively and implemented through a democratic planning mechanism. On the other hand, citizens determine individually the satisfiers for both basic and non-basic needs, as well as what non-basic needs (if any) they wish to satisfy.

Thus, every member of the confederation, who is able to work, will have to work a "basic" (or minimum) number of hours per week, in a line of activity of his/her choice, to produce the resources needed for the satisfaction of the basic needs of the confederation —as they have been estimated by the confederal assembly and formulated in the confederal plan. Every citizen will then be issued with Basic Vouchers (BVs) (or a Basic Credit Card with a credit limit determined by his/her category) which enable him/her to cover his/her basic needs. If a citizen, in addition to this basic work, is willing to offer extra work, in any kind of work activity of his/her choice, then s/he will be entitled also to Non-Basic Vouchers (NBVs) (or to a Non-Basic Credit Card with a credit limit determined by the specific work offered and the corresponding rate of remuneration).

### **A. The Basic Needs Sector**

The basic needs sector allocates resources mainly on the basis of the democratic planning process, although there is a significant element of individual choice involved as well, concerning the satisfiers, as we shall see below. As regards the planning process in this sector it can be described in terms of the following stages.

**Stage 1:** The delegates to the confederal assembly meet annually to determine (perhaps with exceptional majorities) which needs should be characterised as basic and at which average level of satisfaction for each citizen, on the basis of the strict mandates of the *demotic*

assemblies which elected them,

**Stage 2:** Planners, on the basis of demand and supply conditions draw various drafts of confederal plans which have specific implications for the production tasks of each *demos*. As far as demand is concerned, planners could estimate its size and mix, on the basis of the size of the confederation's population, the size of the "basic needs" entitlement for each citizen and the "revealed preferences" of consumers as regards satisfiers, as expressed by the number of vouchers (or BCCs points) used in the past for each type of satisfier. As regards supply, its size could be estimated on the basis of the amounts of natural and man-made resources (machines, tools, etc.) available to the confederation—for a sustainable production process—and various technological averages. Thus, they can estimate the production level, the mix and the labour resources needed (up to the amount of work that each citizen has to do), so that the needs which have been classified by the confederal assembly as basic to be met, at the desired level of satisfaction. On the basis of these estimates and the various possibilities of combining the productive resources of all types, several draft versions of the confederal plan are drawn.

**Stage 3:** The implications of the various drafts are then discussed by each *demotic* assembly, which then selects the preferred draft. On the basis of the (electronic) votes of the *demotic* assemblies, the final plan is selected and the implied overall amount of resources needed for its implementation is determined.

**Stage 4:** Once the confederal Inclusive Democracy has adopted a plan about the level of basic needs satisfaction and the overall allocation of resources, the *demotic* assemblies determine the sorts of work tasks which are implied by the plan, so that all basic needs of the *demos* are met. Then, it is up to each individual citizen to select the task s/he prefers to do, according to his/her capabilities and desires, and offer his/her services to the *demotic* enterprise s/he selects.

**Stage 5:** The workplace assembly (i.e. the general assembly of the *demotic* enterprise) determines the specific for the enterprise work plan and allocates the work tasks to the members of the enterprise.

Each citizen is issued a number of BVs (or BCCs points) according to the special "category of need" s/he belongs. Thus, the confederal assembly will determine a list of categories of basic needs for each section of the population using multiple criteria, including sex, age, special needs etc. Then, in cases where this "objective" allocation of BVs (or BCCs points) has to be amended to take into account personal circumstances, the *demotic* assemblies could make appropriate adjustments. The BVs/BCCs are personal and issued by the confederal assembly rather than by the *demotic* assemblies to ensure consistency as regards basic needs satisfaction throughout the confederation. So, in case a *demos'* resources are inadequate to cover the basic needs of all citizens, the extra resources needed should be provided by the confederal assembly. A significant by-product of this arrangement is that a redistribution of income between rich in resources *demoi* and poor ones will be effected.

As regards caring for the needs of the elderly, children and disabled, those unable to work are entitled to BVs/BCCs points, in exactly the same way as every other citizen in the confederation. In fact, one might say that the BVs/BCCs scheme represents the most

comprehensive “social security” system that has ever existed, as it will cover **all** basic needs of those unable to work, according to the definition of basic needs given by the confederal assembly. It is also up to the same assembly to decide whether, on top of these BVs/BCCs points, Non-Basic Vouchers (NBVs) or Non-Basic Credit Cards points (NBCCs) will also be allocated. As far as the supply of caring services is concerned, if caring is classified as a basic need, as, of course, it should, then every member of the *demos* should be involved in the provision of such services (and will be entitled to BVs/BCCs points) —a significant step in the direction of establishing democracy in the household.

Finally, as far as the freedom of choice is concerned, as it was mentioned above, BVs/BCCs entitle each citizen to a given level of satisfaction for each particular type of need, (which has been characterised democratically as ‘basic’), but do not specify the particular type of satisfier. Thus, an artificial ‘market’ for basic goods and services is needed, which would meet the demand for basic goods and services according to “specifier”. As citizens can spend their BVs or BCCs points on any *demotic* enterprise of their choice (food, clothing enterprises, etc.) and these enterprises are free to produce the relevant goods and services the way they see fit —as long of course as they meet the production and environmental standards adopted by the confederal plan— citizens are offered a significant amount of choice in deciding how best they wish to meet their basic needs within their overall entitlement. The “specifier” preferences of citizens are verified through their revealed preferences, as expressed by the use of BVs/BCCs with respect to specific demotic enterprises. At the same time, as the workers in such enterprises could, if they so wish, work additional hours, on top of the basic hours, in the same line of activity, they would have every incentive to attract as many BVs or BCCs points to their own enterprise. This would imply that demotic enterprises, through this artificial market, would be involved in a process of meeting, as best as possible and in a spirit of emulation, the citizens’ desires—something that would have nothing to do with the present cut-throat market competition.

### ***B. The Non-Basic Needs Sector***

In contrast to the basic needs sector, the allocation of resources in this sector takes place mainly through the “artificial” market which, however, would not allocate work on the basis of profit considerations, as in the capitalist labour market or, alternatively, on the basis of the instructions of the central planners, as in “actually existing socialism”. Instead, work would be allocated on the basis of the preferences of citizens as producers and as consumers. Thus, citizens, *as producers*, would select the work they wish to do and their desires would be reflected in the “index of desirability” described below, which would partially determine their rate of remuneration. Also, citizens, *as consumers*, through their use of NBVs or NBCCs would influence directly the “prices” of non-basic goods and services and, indirectly, the allocation of labour resources in each line of activity through the effect of “prices” on the rate of remuneration.

Therefore, the rate of remuneration for non-basic work, namely, the rate which determines the number of non-basic vouchers a citizen receives for such work, should express the preferences of citizens both as producers and consumers. As regards their preferences as producers, it is obvious that given the inequality of the various types of work, equality of remuneration will in fact mean unequal work satisfaction. As, however, the selection of any objective standard (e.g., in terms of usefulness, effects on health, calories spent, etc.) will

inevitably involve a degree of subjective bias, the only rational solution may be to use a kind of “inter-subjective” measure, like the one suggested by Baldelli<sup>[15]</sup>, that is, to use a “criterion of desirability” for each kind of activity.

Yet, desirability cannot be simply assessed, as Baldelli suggests, by the number of individuals declaring their willingness to undertake each kind of work. Given the present state of technology, even if we assume that in a future society most of today’s hyper specialisation will disappear, many jobs will still require specialised knowledge or training. Therefore, a complex ‘index of desirability’ should be constructed with the use of multiple rankings of the various types of work, based on the ‘revealed’ preferences of citizens in choosing the various types of basic and non-basic activity. The remuneration for each type of work could then be determined as an inverse function of its index of desirability (i.e. the higher the index—that is the more desirable a type of work is—the lower its rate of remuneration). Thus, the index will provide us with “weights” which we can use to estimate the value of each hour’s work in the allocation of non-basic vouchers.

However, the index of desirability cannot be the sole determinant of the rate of remuneration. The wishes of citizens as consumers, as expressed by the ‘prices’ of non-basic goods and services should also be taken into account. This would also have the important effect of linking the set of “prices” for goods and services with that of remuneration for the various types of work, so that the allocation of work in the non-basic sector may be effected in a way that secures balance between demand and supply. We could therefore imagine that half the rate of remuneration in the production of non-basic goods and services is determined by the index of desirability and the rest is determined by the “prices” of goods and services. Of course, given that labour is only part of the total resources needed for the production of non-basic goods and services and that the non-basics sector is the responsibility of each *demos*, in practice, problems of scarcity of various—other than labour—resources may be created. However, I think that such problems could easily be sorted out through a system of exchanges between *demoi*<sup>[16]</sup>.

As regards the allocation of Non-Basic Vouchers (NBVs)/Non-Basic Credit Cards (NBCCs), they are allocated in exchange for non-basic work, offered for the satisfaction of non-basic needs (non-essential consumption), as well as for the satisfaction of basic needs beyond the level prescribed by the confederal assembly. NBVs/NBCCs are also personal but are issued on behalf of each *demos*, rather than on behalf of the confederation. However, the system should be organised in such a way so that differences among *demoi* as regards non-essential consumption should reflect only differences in the amount of work involved and not differences in the area’s natural endowments. Therefore, although *demotic* covering of non-basic needs is just an extension of the individual citizen’s freedom of choice, provision should be taken so that the benefits from the natural endowments of the confederation as a whole, irrespective of their geographical location, are distributed equally among all *demoi* and regions. This principle applies to both basic and non-basic needs satisfaction, so that no regional inequities may be created, other than those due to the amount of work involved.

With technical progress, one could expect that the satisfaction of non-essential needs will become increasingly important in the future—a fact confirmed by statistical studies on consumption patterns in the West that show a verifiable trend of basic-needs saturation<sup>[17]</sup>.

Correspondingly, remuneration will take more and more the form of NBVs/NBCCs. There is, therefore, a double economic problem with respect to them. Thus, apart from the need for a fair measure to remunerate non-basic work that we already examined, we also need a measure of valuing non-basic goods/services that will secure a balance between their supply and demand at the *demotic* level; namely, we need a system of “prices” for non-basic goods and services that will aim to achieve a balance of demand and supply that satisfies fairness criteria. For this purpose, we may introduce a kind of ‘rationing values’ to value non-basic goods/services.

Thus, in contrast to the market mechanism which, as is well known, represents *rationing by price*, (something that, as we have seen, represents the most unfair way of rationing scarce resources, as, in effect, it means rationing by the wallet) we may introduce *pricing by rationing*. Prices, instead of being the cause of rationing —as in the market system— become the *effect* of it. Therefore, whereas in the market system prices basically reflect scarcities relative to a skewed income and wealth pattern and they function as rationing devices to match the former with the latter, in the proposed system prices reflect scarcities relative to citizens’ desires and they function as guides for a democratic allocation of resources. This way, production reflects real demand, and citizens do not have to suffer all the irrationalities of the market economy or of the socialist central planning systems I mentioned above. Therefore, the artificial “markets” proposed here offer the framework needed so that planning can start from *actual* demand and supply conditions (reflecting real preferences of consumers and producers) and not from abstract notions formed by bureaucrats and technocrats about *what the society's needs* are. Also, this system offers the opportunity to avoid both the despotism of the market that “rationing by the wallet” implies, as well as the despotism of planning that *imposes* a specific rationing (even if this is done through majority vote in the *demotic* assembly).

Finally, it is true that the effect of the proposed system on the distribution of income will be that a certain amount of inequality will inevitably follow the division between basic and non-basic work. But, this inequality will be quantitatively and qualitatively different from today's inequality: quantitatively, because it will be minimal in scale, in comparison to today's huge inequities; qualitatively, because it will be related to voluntary work alone and not, as today, to accumulated or inherited wealth. Furthermore, it will not be institutionalised, either directly or indirectly, since extra income and wealth —due to extra work— will not be linked to extra economic or political power and will not be passed to inheritors, but to the *demos*. Anyway, the introduction of a minimal degree of inequality, as described above, does not negate in any way economic democracy, which has a broader meaning that refers to equal sharing of economic power and not just to equal sharing of income.

## Conclusion

The above analysis makes clear that the double aim of meeting basic needs and securing freedom of choice presupposes a synthesis of collective and individual decision-making, like the one proposed here in terms of a combination of democratic planning and an artificial “market”. This is important because, in contrast to massively promoted alternative models like Parecon,<sup>[18]</sup> the proposed system can reintegrate society with economy, as it can secure real self-management and freedom of choice for citizens as producers and consumers



—something that, the bureaucratic nature of alternative models like the above, (which rely exclusively on planning for the allocation of scarce resources), does not allow. Even more important, such models cannot even secure the satisfaction of the basic needs of all citizens —the basic criterion of success of a rational economy— since remuneration of work is based only on work effort and not also on need, as in the ID project. Finally, the ID model stresses the important point that, even if we were ever to reach the mythical stage when resources are not scarce, questions of choice will continue arising with respect to satisfiers, ecological compatibility, etc. From this point of view, the anarcho-communist reference to a usufruct and gift economy, to the extent that it presupposes “objective” material abundance, (i.e. an “objective” definition of needs) also belongs to the mythology of a communist nirvana. This is an additional reason why the proposed system here offers a realistic model of how we may enter the realm of freedom **now rather than in a mythical post-scarcity society.**

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[1] See T. Fotopoulos, *The Multidimensional Crisis and Inclusive Democracy*, (*The International Journal of Inclusive Democracy*, 2005), ch. 1, <http://www.inclusivedemocracy.org/journal/ss/ch1.htm>.

[2] See T. Fotopoulos, “Globalisation, the reformist Left and the Anti-Globalisation «Movement»,” *Democracy & Nature*, Vol. 7, No. 2 (July 2001).

[3] See T. Fotopoulos, “The myths about the economic crisis, the reformist Left and economic democracy,” *The International Journal of Inclusive Democracy*, Vol. 4, No. 4 (October 2008).

[4] World Bank, *From Plan to Market (World Development Report 1996)*, p. 1.

[5] T. Fotopoulos, “The Catastrophe of Marketization,” *Democracy & Nature: The International Journal of Inclusive Democracy*, Vol. 5, No. 2 (July 1999).

[6] Michael Ellman, *Socialist Planning* (Cambridge: Cambridge University Press, 1979), pp. 267-68.

[7] Noam Chomsky, for instance, stated that “the collapse of this regime should have been welcomed by the left as an important victory, which eliminated barriers to authentic socialism” (see his interview in *Democracy & Nature*, vol. 5., No. 1 (1999), p. 22

[8] Takis Fotopoulos, *Towards An Inclusive Democracy* (Cassell/Taylor and Francis: London/New York, 1997), ch. 5.

[9] See T. Fotopoulos, “The End of Traditional Antisystemic Movements and the Need for A New Type of Antisystemic Movement Today,” *Democracy & Nature: the International Journal of Inclusive Democracy*, Vol. 7, No. 3 (November 2001).

[10] Takis Fotopoulos, *Towards An Inclusive Democracy*, pp. 248-50.

[11] Ernest. Mandel, “In Defence of Socialist Planning,” *New Left Review* (Sept./Oct.1986), pp. 5-39.

[12] T. Fotopoulos, “Is sustainable development compatible with present globalisation? The Chinese Case”, *The International Journal of Inclusive Democracy*, Vol. 4, No. 4 (October 2008).

[13] See T. Fotopoulos, “Is sustainable development compatible with present globalisation? The Chinese Case”.

[14] Murray Bookchin "Bookchin", “Municipalization: Community Ownership of the Economy,” *Green Perspectives* (Feb. 1986).

[15] Giovanni Baldelli, *Social Anarchism* (NY: Penguin, 1972), pp. 144-45.

[16] For details on this economic model see Takis Fotopoulos, *Towards An Inclusive Democracy*, ch. 6.

[17] Ernest. Mandel, “In Defence of Socialist Planning,” *New Left Review* (Sept./Oct. 1986), pp. 5-39.

[18] Michael Albert, *Parecon: Life After Capitalism* (London: Verso, 2003); see for a critique T. Fotopoulos, “Participatory Economics (Parecon) and Inclusive Democracy,” *The International Journal of Inclusive Democracy*, Vol. 1, No. 2 (January 2005).

[http://www.inclusivedemocracy.org/journal/vol1/vol1\\_no2\\_IDvsParecon.htm](http://www.inclusivedemocracy.org/journal/vol1/vol1_no2_IDvsParecon.htm)