

Democratic Economic Planning

Gaps between the Participatory Economy model
and the real-world economy

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Presentation:

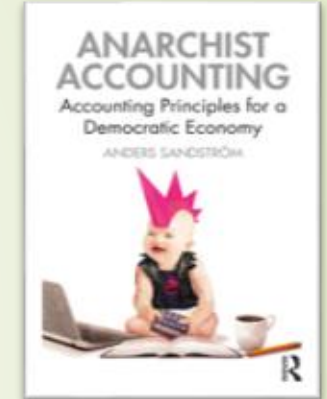
- Our **book on Participatory Economy**
- Why we're writing it
- What we're addressing

Presentation: Structure

- **Part One**
 - Presentations and Background (5+5 min)
- **Part Two**
 - Gaps according to Anders (15 min)
 - Gaps/Flaws according to Ferdia (15 min)
- **Part Three**
 - An adjusted household consumption planning process – a dialogue (10+10 min)

Anders: Background

- Anders Sandström
- Background in Accounting
 - Uppsala University 1990
 - KPMG 1990 – 1993
 - Different accounting positions in a variety of enterprises 1993 – 1999
 - Sabbatical Greece 1999 – 2000
- Anarchist Accounting: Accounting Principles for a Democratic Economy (Routledge, 2021)
- The Participatory Economy Project: www.participatoryeconomy.org



Anders: Book/Presentation

- **The Participatory Economy Model: one of the most developed and thought through post-capitalist alternatives presented so far**
- **Gaps in the model? Yes, definitely! Just like *any* other economic model**
- **Suggested solutions in this presentation are only possibilities not definitive answers**

Ferdia: Background

- **Ferdia O'Driscoll**
- **Work**
 - Engineer → Social Cybernetician
 - New civilisation!
 - *Bright Age Beyond*, brightagebeyond.com
 - *Participatory Economy Project*, participatoryeconomy.org
 - *DiEM25*, Coordinator Task Force for Postcapitalism Policy
 - Book w/ Anders
- **Contact**
 - brightagebeyond@gmail.com



Ferdia: Book/Presentation

- **Important proposal**
 - ParEcon most detailed proposal for postcapitalist economy
 - Many promising features
- **Serious questions to answer**
 - Test ParEcon to its limit
 - Formulate best version of ParEcon
 - If it's the answer, hey presto!
 - If it isn't, figuring out why is illuminating
 - Address Gaps & Flaws
 - Extend and revise
 - Gaps & Flaws in relation to what? Mostly DEP, but also AA

Book: Overview

- **Detailed text** on Participatory Economy (for specialists)
- **Extend and revise** ParEcon
- Different **perspectives**
 - Anders: the Advocate
 - Ferdia: the Critical Friend
- Aim: to publishers ~1 year.

Book: Contents

1. Introduction

2. Big Picture

- Politics
- Ecology & Environment
- Data Commons
- International
- Labour
- Social Life
- Investment & Technology
- Land & Buildings
- Accounting & Finance
- Provisioning

3. Annual Horizon

- Annual Planning Process
- Annual Implementation
- Consumers
- Enterprises
- Investment
- Foreign Sector
- Financial Flows
- Technical Requirements

4. Other

- Transition



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Gaps

Anders Sandström

Gaps between the Participatory Economy model and the real-world economy

- **Price formation and individual consumption planning**
- **Logistics and distribution incl. plan updates**
- **The planning of public and collective services**
- **The treatment of capital goods**
- **Coordination outside the formal annual and long-term planning procedures**

Gaps between the Participatory Economy model and the real-world economy

- ▶ **Price formation and individual consumption planning**
 - ▶ Widespread criticism focusing on this issue (Schweickart, Ackerman)
 - ▶ Markets: prices and volumes are negotiated between individual buyers and sellers without third party participation
 - ▶ Participatory planning: actors submit proposals based on externally announced prices until supply = demand: no individual negotiations
 - ▶ The participatory planning procedure presupposes a product catalogue at the start of the procedure listing all product categories to be traded
 - ▶ The challenge: Huge number of versions and different kinds of goods and services in a modern economy

Gaps between the Participatory Economy model and the real-world economy

- **Price formation and individual consumption planning**
 - Only very coarse main product categories can be priced in the annual planning procedure
 - How will more detailed product versions and models be priced?
 - Suggestion: Prices for more detailed product subcategories can be derived based on production costs
 - Subcategory unit price = (Announced main category price / Average main category unit production cost) * average unit subcategory production cost

Gaps between the Participatory Economy model and the real-world economy

- Price formation and individual consumption planning
- With derived prices product categorisation and product costing becomes extra important:
 - coarse main categories based on products' general functionality and purpose
 - detailed subcategories based on detailed functionality and quality *if and when there are differences in cost aggregation and production cost*
 - product costing in WC's production proposals: the allocation of production costs to different product categories (This is done already today)

Gaps between the Participatory Economy model and the real-world economy

- ▶ Price formation and individual consumption planning
 - ▶ Even with only coarse product categories in consumption plans, there will still be many categories of goods and services for consumers to relate to when preparing consumption proposals
 - ▶ How can consumers best relate to goods and services when planning their consumption in annual planning?
To be discussed later.

Gaps between the Participatory Economy model and the real-world economy

- **Logistics and distribution**
 - Economy of scale in distribution
 - Collectively organised and planned distribution networks through NFCC
 - Different network systems for different kinds of products
 - The Consumer council or federation is the customer, not the individual consumer
 - Distribution systems use different resources such as storage facilities, distribution centres and shops, equipment, personnel
 - Collective funding through agreed mark-ups on products
 - differentiated mark-ups for different types of outlets (on-line, convenient stores, “malls”)
 - differentiated mark-ups for different regions?

Gaps between the Participatory Economy model and the real-world economy

➤ **Logistics and distribution**

➤ **Examples of intermediation agencies**

- **Labour Exchange agencies for the intermediation of labour**
- **Housing Exchange agencies for the intermediation of housing**

Gaps between the Participatory Economy model and the real-world economy

- **Logistics and distribution**
 - **Post plan adjustments during the year**
 - **As soon as the year starts, circumstances will start to change**
 - **Changes in consumer preferences will often cancel out on the aggregate level**
 - **Changes in supply, e.g., bad harvests, are more difficult to handle**
 - **Negotiated plan updates (Federations)**
 - **Production adjustments**
 - **Rationing consumption, possibly price adjustments**
 - **New simplified but comprehensive planning procedure**

Gaps between the Participatory Economy model and the real-world economy

- **Collective consumption planning**
 - More long-term and complex planning compared to individual consumption
 - Often extensive systems or networks with multiple actors (public transport systems, education, health care, community utilities)
 - Extensive effects and implications for the community
 - Will need ongoing and thorough preparatory discussions and assessments within the community
 - Once decided and agreed within the community requested collective consumption will be relatively stable and price insensitive in single years

Gaps between the Participatory Economy model and the real-world economy

➤ Collective consumption planning

- Costs for collective consumption are passed on indirectly to individual consumers
 - *Individual cost allocation.* The consumer is charged a user fee at the time of usage, e.g., in the form of a ticket for a bus ride or an entrance ticket for a museum visit
 - *Collective cost allocation.* Individuals are charged their share regardless of usage

Gaps between the Participatory Economy model and the real-world economy

➤ Capital goods

➤ Federations play a larger role

- Assign initial access of production facilities to WCs and organise both start-ups and shutdowns of WCs
- Accept/reject suggested major additional investments based on investment plan

➤ How do WCs decide on investment?

- Comparing expected extra revenue with expected costs in total for the economic life of the investment
- Long and thorough decision-making processes also in WCs:
 - Research, comparisons, discussions and debates, etc.
 - Relative price insensitive in an individual annual planning

Gaps between the Participatory Economy model and the real-world economy

- **Capital goods to be produced**
 - **Many different kinds of capital goods:**
 - **Complex construction projects with many different suppliers**
 - **Customised and bespoke installations, machines and equipment**
 - **Standardised mass-produced machines and equipment**
 - **Different economic life spans: long standing buildings - short lived computers**
 - **Buildings and machines that are customised and unique = challenging to balance supply and demand without negotiations between buyers and sellers**
 - **Product categorisations for the annual planning based on generic and quantifiable features and characteristics**

Gaps between the Participatory Economy model and the real-world economy

- Existing capital goods
 - The allocation and pricing of *existing fixed assets* do not fit smoothly into the annual planning
 - No external capital owners looking for investment opportunities
 - Units are often unique and customised
 - Different age, wear and tear
 - Calculated user right fees for access to capital goods based on historic acquisition costs and age:
 - The annual depreciation of the historic acquisition cost of the asset, plus the discount rate charged on the depreciated acquisition cost of the asset at the beginning of the year.

Gaps between the Participatory Economy model and the real-world economy

- **Coordination outside the formal long-term, investment and annual planning procedures**
 - **Today: Conglomerates and Multinationals:**
 - **Central HQ/Administration**
 - **Accounting Dep.**
 - **Legal Dep.**
 - **Purchase Dep.**
 - **Maintenance Dep. etc**

Gaps between the Participatory Economy model and the real-world economy

- **Coordination outside the formal long-term, investment and annual planning procedures**
 - **There is economy of scale in organising activities, assets and resources collectively if possible**
 - **The self-managed decision-making bodies in a Participatory Economy - worker and consumer councils and federations - will need continuous support when preparing plans, making and implementing decisions**

Gaps between the Participatory Economy model and the real-world economy

- **Coordination outside the formal long-term, investment and annual procedures**
 - **Research and Development (R&D)**
 - Production technology and product development
 - Standardisation of products, spare parts etc.
 - **Accounting, Audit & administration**
 - Gathering, sorting and distributing information (accounting rules etc.)
 - Monitoring implementations
 - Categorisation of goods and services
 - Resolve disputes
 - **Production**
 - Coordination of complex projects (Construction)
 - New entries & shut-downs
 - Labour reallocations

Gaps between the Participatory Economy model and the real-world economy

- **Coordination outside the formal long-term, investment and annual procedures**
- **Risk of coordinator class:**
 - **Collective support units must be set up, controlled and funded by federations**
 - **No decision-making power**
 - **Revocable job assignments**
 - **Time limits on job assignments**

Extending & Revising

Ferdia O'Driscoll

Promising Features

- Alternative to market / central plan.
- Collective price formation
 - Avoid price competition
- Political income
 - De-link worker income and enterprise profit
- Division of labour
- Not-for-profit enterprises
 - De-link investment and enterprise profit
- Feasible w/ today's computers

Concerns

1. Annual Planning

1. Approving/disapproving proposals
2. Spatial dimension (transport)
3. Implementation of plan
4. Multi-year projects
5. Digital goods
6. Technical requirements
7. Plan updates mid-year
8. Motivation in truthfully reporting productive capacity

Concerns (cont.)

2. Money & Finance
3. Foreign sector
4. Shops
5. Self-employment
6. Housing & land
7. Opening / closing enterprises
8. Regional balancing
9. Administering wages

Critical Concerns

1. Investment
2. Politics
3. Individual Consumption Planning
4. Annual Plan Updates
5. Annual Planning Iterations
6. Ecology & Environment

Critical Concerns

- Investment
 - Multi-dimensional ...
 - Stakeholders ...
 - Fixable

Critical Concerns

- **Politics**

- Cannot separate “political sphere” & “economic sphere” in socialism
- State?
- Citizen? Community? General interest?
- How do workers and consumers interact?
- How do the federations function?
- Fixable

Critical Concerns

- Individual Consumption Planning
 - Fixable
 - More later!

Critical Concerns

- Annual Plan Updates
 - Prices
 - Decentralised
 - Coupled
 - Can the annual plan be updated sufficiently fast?
 - Fatal?

Critical Concerns

- Annual Plan Iterations
 - Can Annual Planning Process be completed in sufficiently few iterations?
 - Fatal?

Critical Concerns

- Ecology & Environment
 - Insufficiently addressed
 - Macro constraints?
 - How to operationalise in Annual Planning?
 - Fixable



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Individual Consumption Planning

Anders Sandström

Household consumption planning

- ▶ **Goal: Consumers should influence what is produced to the degree they are affected, with minimal effort or inconvenience**
- ▶ **Consumers know best their estimated income, consumption preferences, and how they will react to relative price changes**
- ▶ **If other instances will represent consumers in annual planning, consumers inevitably will lose influence and information risks being inaccurate**
- ▶ **The individual consumption planning process should be facilitated as much as possible**
 - ▶ **First draft of consumption proposal based on historic consumption patterns**
 - ▶ **Different consumer profiles based on , age, location, interests etc.**
 - ▶ **Other tools for facilitating the preparation of consumption proposals, think online/computer games, Amazon**

Household consumption planning

- It is the neighbourhood consumer councils that always submit aggregate consumption proposals
- Consumer councils and their distribution networks may adjust the aggregate proposal before submitting it considering historical and statistical discrepancies between plan and outcome, visitors from other economies (tourists), demographics etc.
- Consumers/Households should nevertheless “own” their submitted proposals, meaning that planned consumption is prioritised if rationing will become necessary

Individual Consumption Planning

Ferdia O'Driscoll

Summary

- The critics are right:
 - Current scheme for individual consumption planning is unworkable
- The critics are wrong:
 - Does not defeat ParEcon.
 - Fixable.

Goals

1. Information

- Better information in planning

2. Influence

- Individual influence on consumption
- Good goals, bad implementation
- Will analyse both points, then show counterproposal.

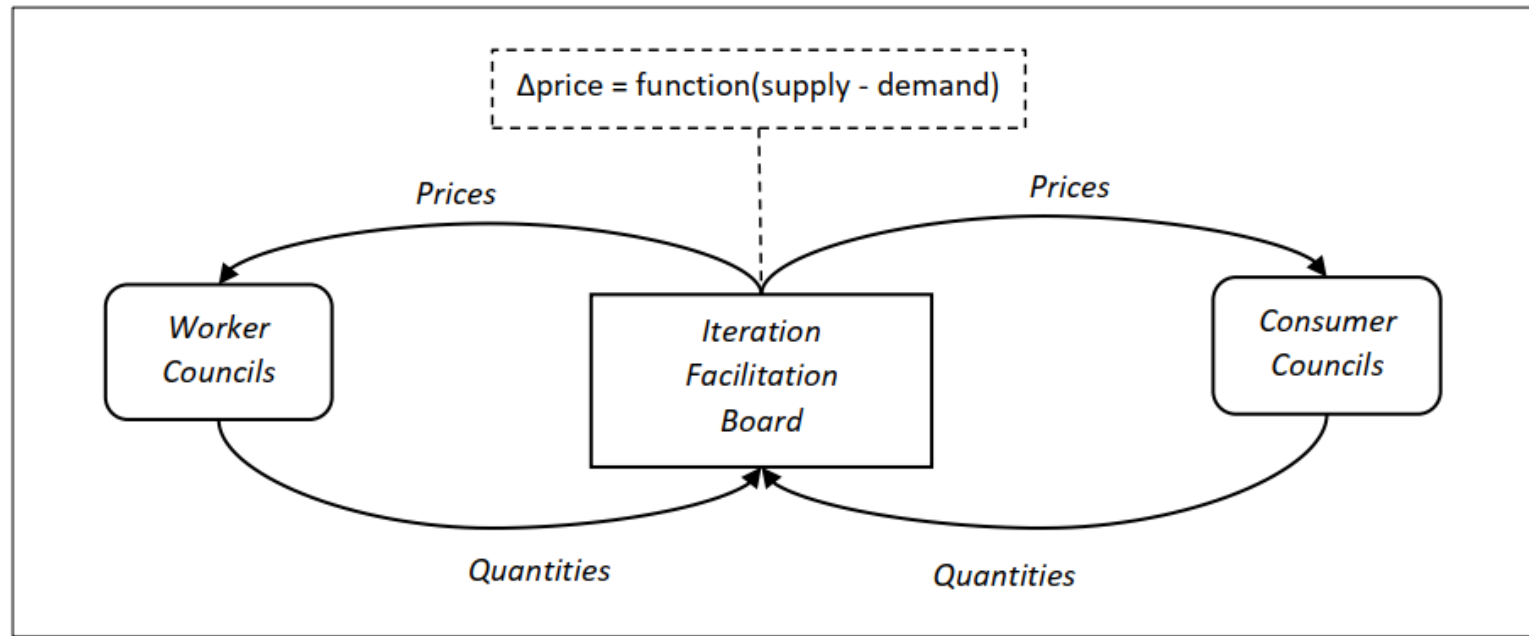


Figure 1- Simple schematic of annual planning topology.

Model A

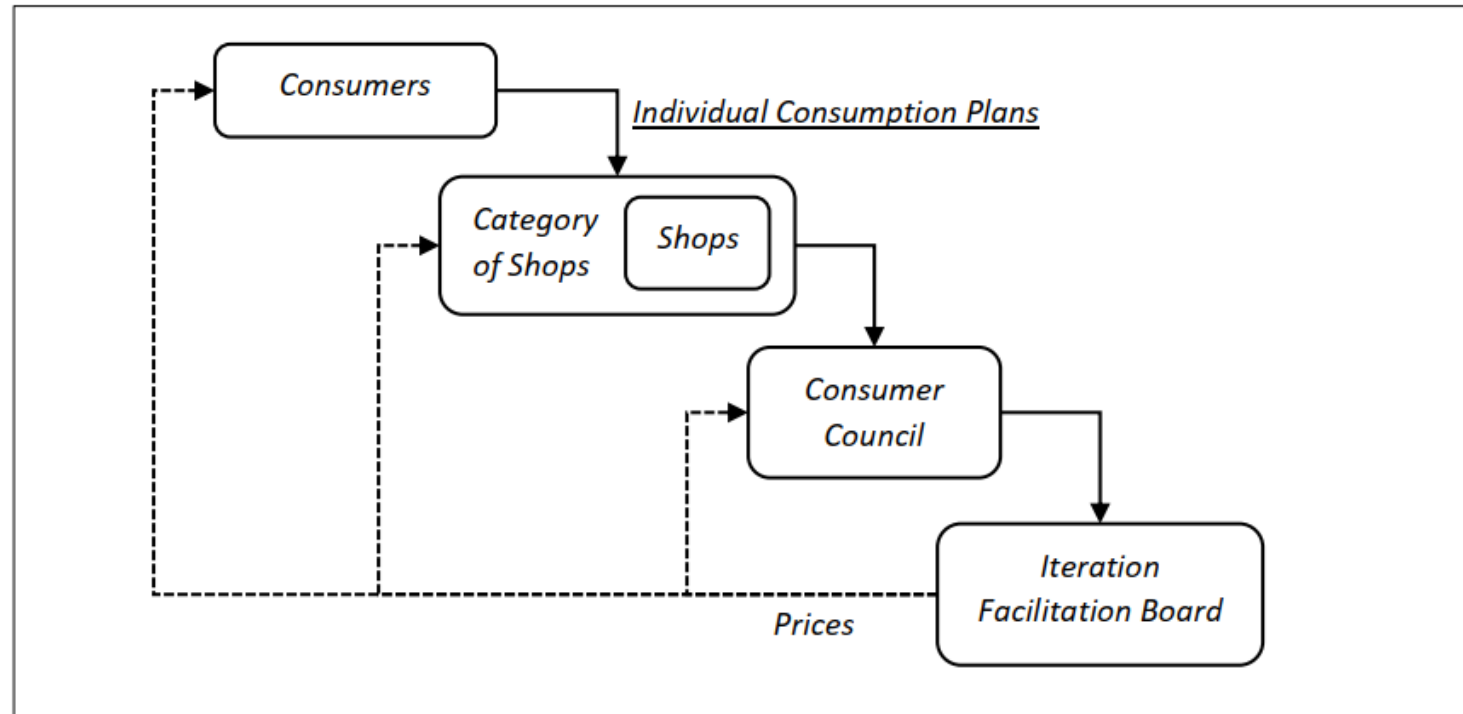
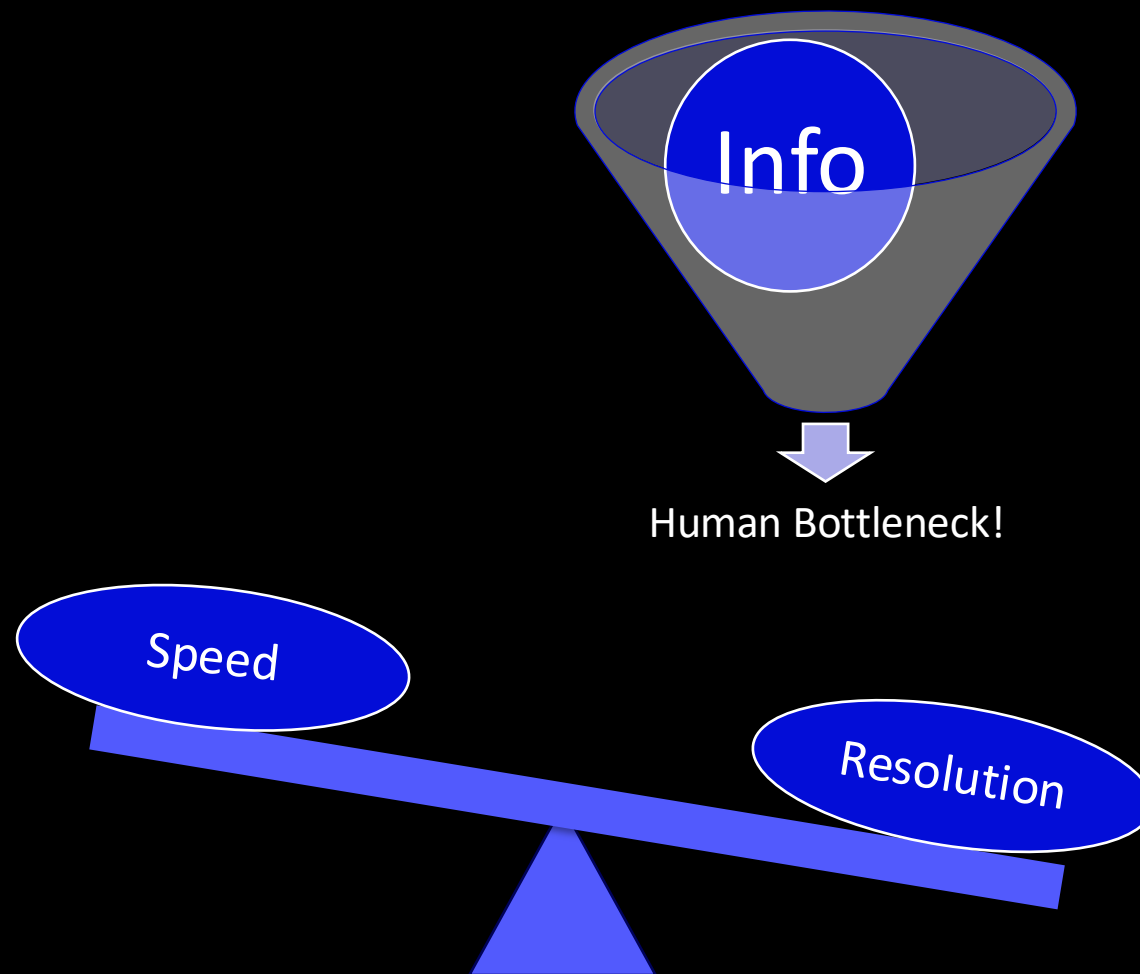


Figure 3 – Simple schematic of personal consumption in annual planning in Model A.

Information

- **Scale matters!**
- **Information Bottleneck = Human**
- **Speed vs. Resolution**
 - Irreducible trade-off
 - High Resolution \therefore Low Speed
 - High Speed \therefore Low Resolution
 - Cannot have both



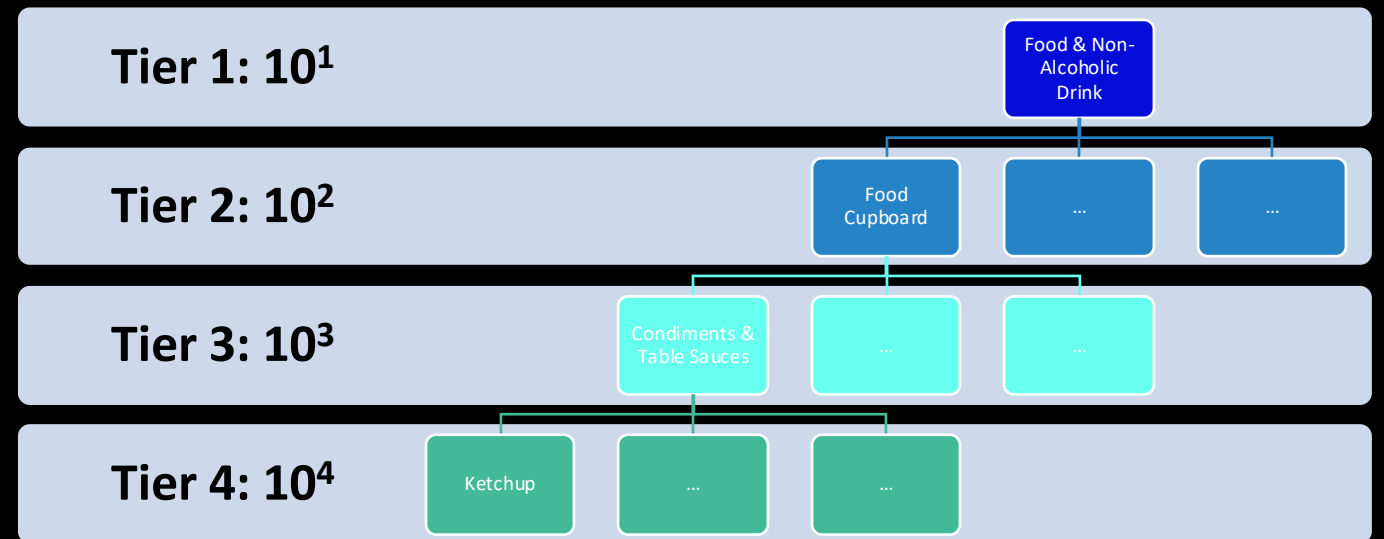
Information: Resolution

- **Context**

- 10^9 distinct products

- **Vague**

- **10 categories**
= “Food & Non-Alcoholic Drinks”
- **100 categories**
= “Food Cupboard”
- **1000 categories**
= “Condiments & Table Sauces”
- **10000 categories**
= “Ketchup”



Information: Resolution

- **Prediction: Individual vs. Shop**

- Individual prediction is limited (even w/ excessive time)
 - Like asking drivers to predict how many miles they will drive on each street to predict traffic flow
 - Individuals are myopic (cannot predict will lose wallet in 4 months)
- Let shops predict!
 - Like doing traffic survey on motorway
 - Shop knows 100 wallets are sold monthly

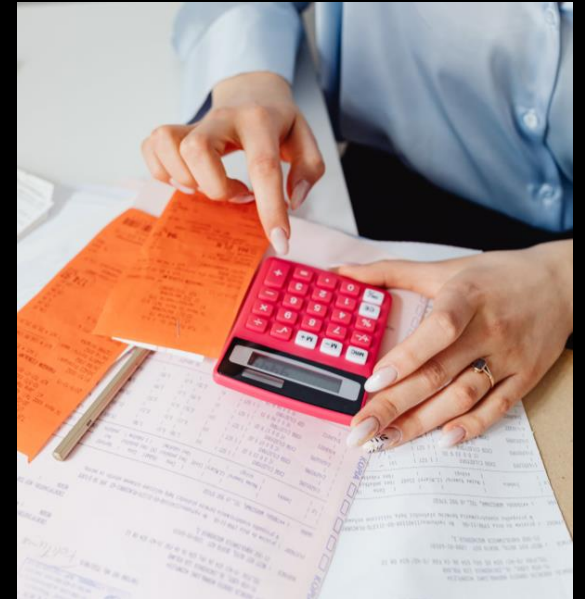
Information: Resolution

- **Informational Needs: Consumers vs. Producers**

- Very different informational needs
 - Producers need high resolution (useful)
 - Consumers need low resolution (convenient)
- One must win!
- Why hinder producers?

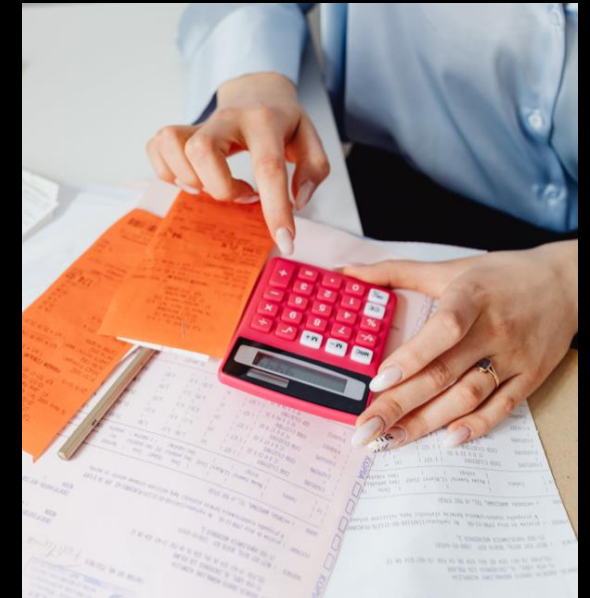
Information: Speed

- Back-of-the-envelope calculation ...



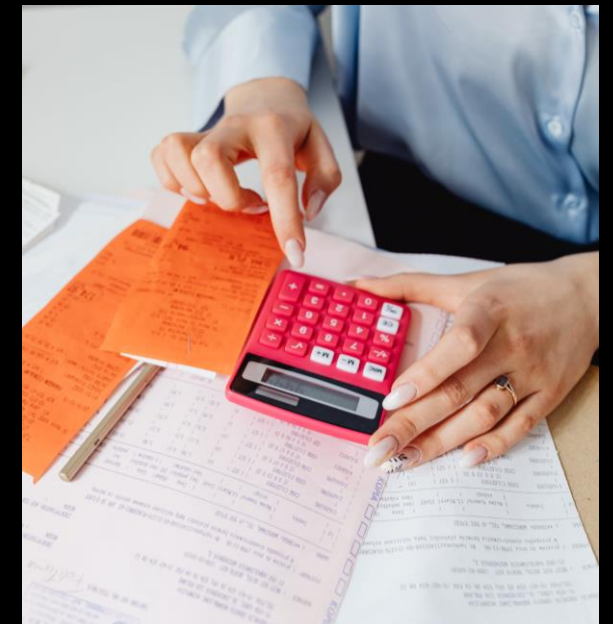
Information: Speed

- **Time per One Round (Annual Planning)**
- *How long does an individual consumer take to make their proposal?*
- **Time/Category × Categories = Total Time (one round)**
 - **“Food Cupboard” (100 categories) → ~1.7 hours**
 - 1 [minute / category] × 100 [categories] = 1.7 [hours]
 - **“Condiments & Table Sauces” (1,000 categories) → ~17 hours**
 - 1 [minute / category] × 1,000 [categories] = 17 [hours]
 - **“Ketchup” (10,000 categories) → ~170 hours**
 - 1 [minute / category] × 10,000 [categories] = 170 [hours]



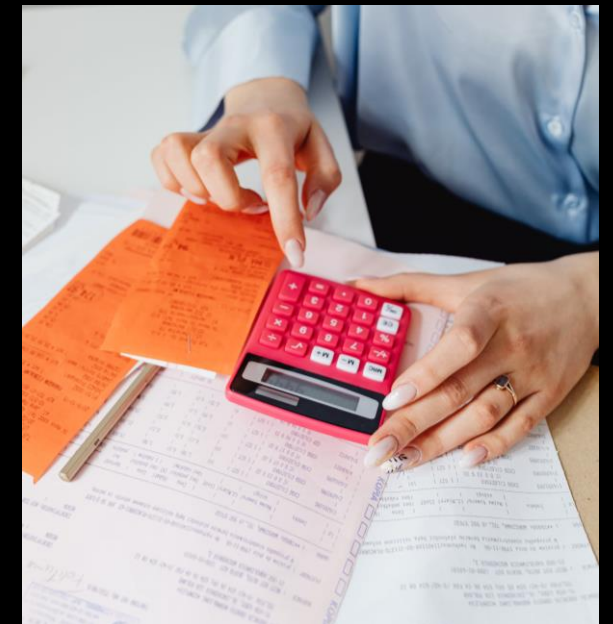
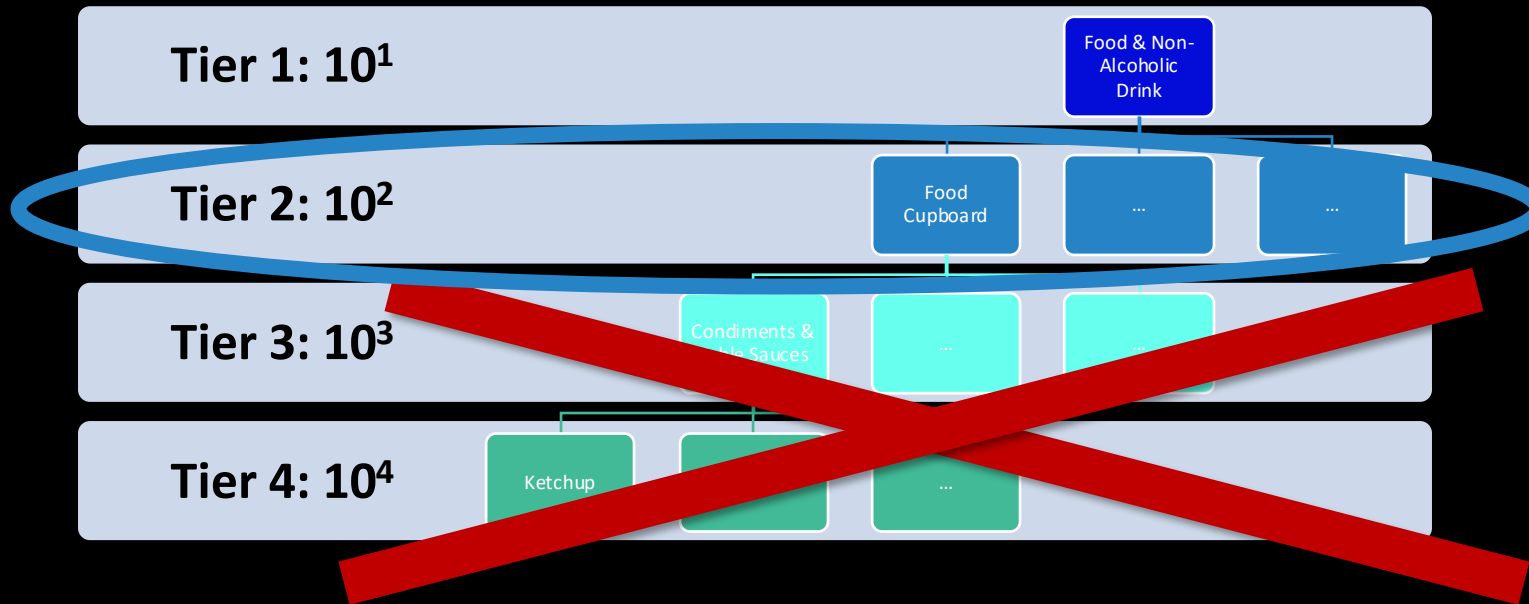
Information: Speed

- **Time per All Rounds (Annual Planning)**
- *How long does an individual consumer take to make their proposal?*
- Assume: 5-10 rounds of Annual Planning
- **Rounds × Time/Round = Total Time (all rounds)**
 - **“Food Cupboard” (100 categories) → ~8.5 hours**
 - 5 [rounds] × 1.7 [hours] = 8.5 [hours]
 - **“Condiments & Table Sauces” (1,000 categories) → ~85 hours**
 - 5 [rounds] × 17 [hours] = 85 [hours]
 - **“Ketchup” (10,000 categories) → ~850 hours**
 - 5 [rounds] × 170 [hours] = 850 [hours]



Information: Speed

- **Upshot:** only low resolution possible in feasible time.



Influence: Accountability

- **Accountability**

- Individual plans do not provide accountability
- Cursed dilemma:
 - If shops can alter plans → individual consumer plans have no control function
 - If shops cannot alter plans → gross dysfunction

Influence

- **Binding plans**

- Unfair: penalizing people for failing to predict the impossible
- Ineffectual: too vague to make a difference
- Needless hassle
- Just use pre-orders for specific goods

- **Privacy**

- Recording every individual purchase and associating with identity
- Possible technical solutions, but why bother?

Influence

- Individual consumer **already has substantial influence** in PE

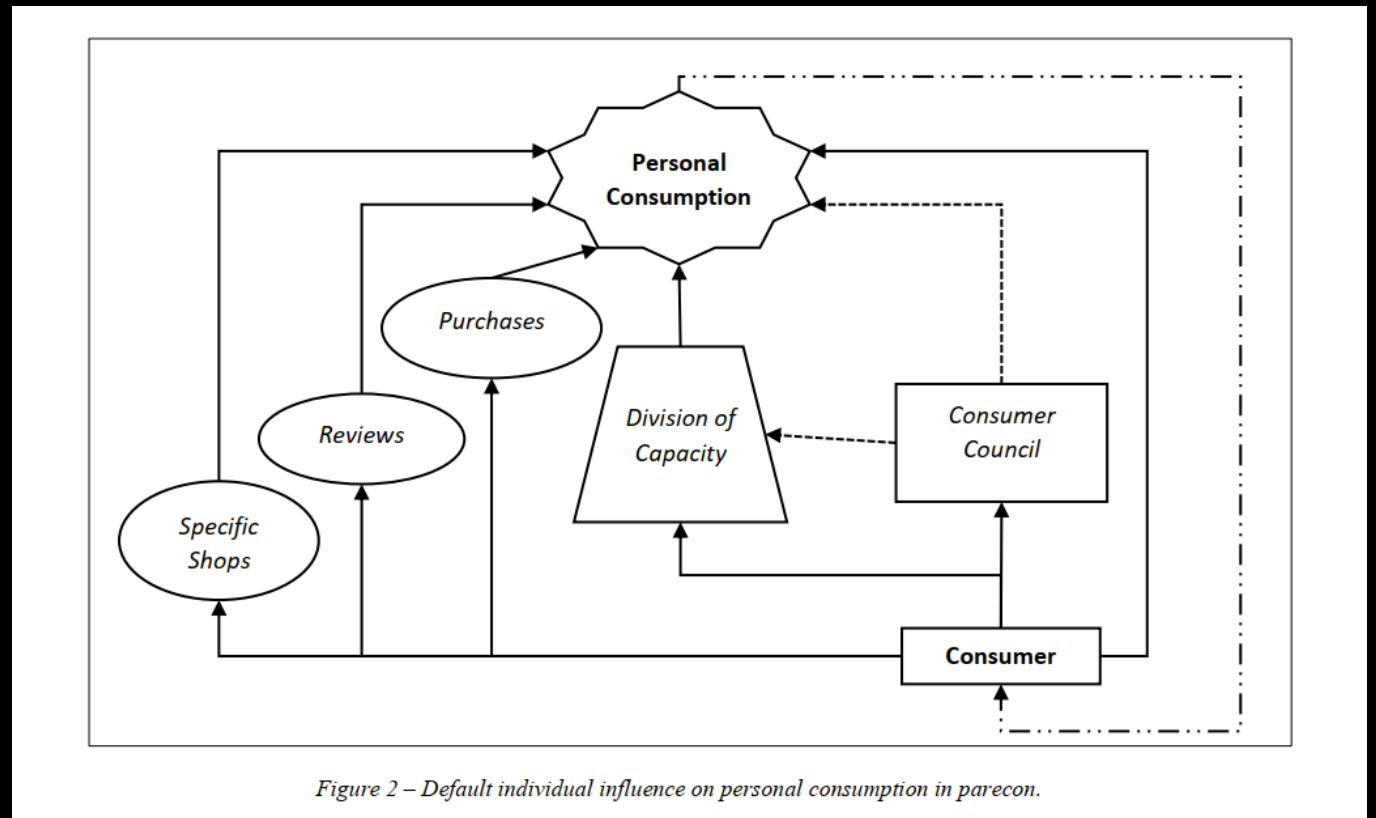
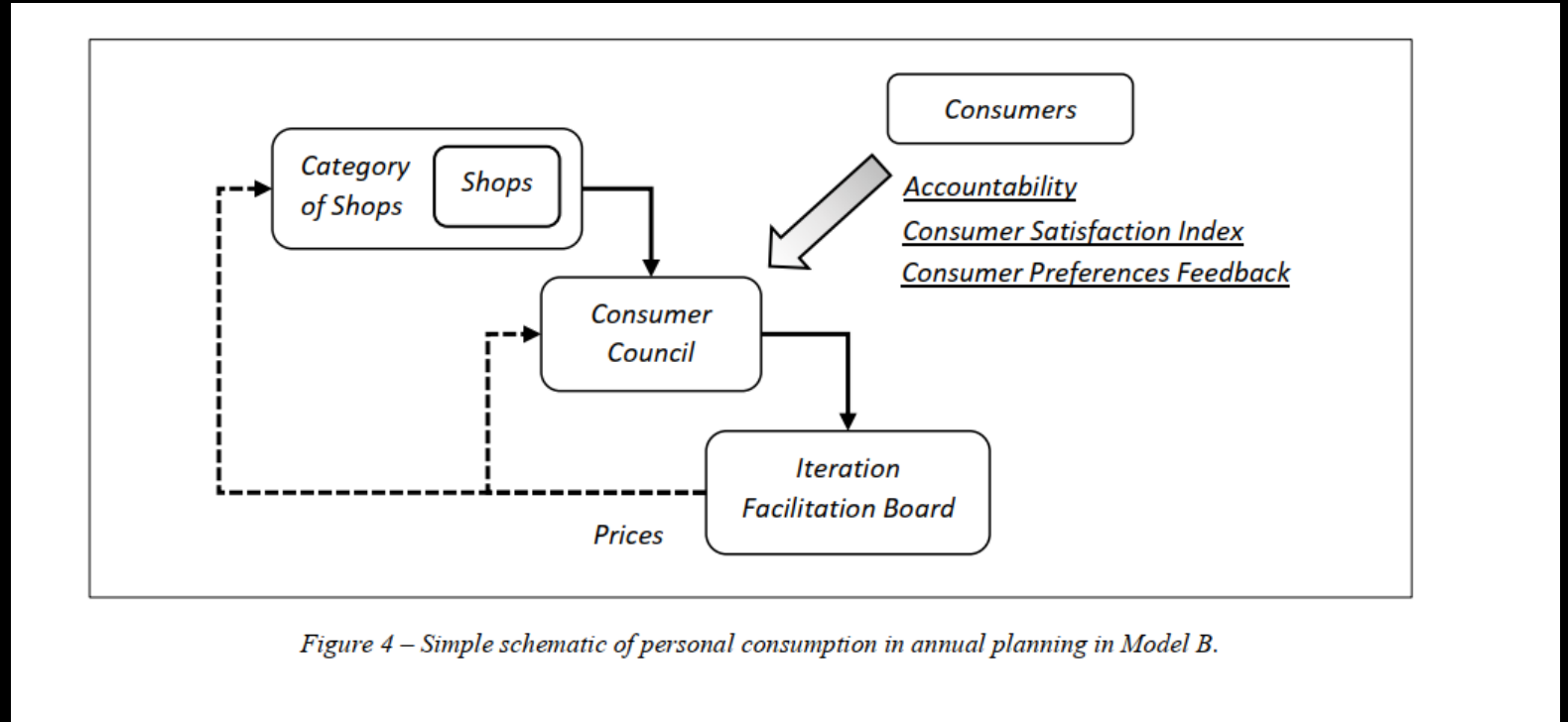


Figure 2 – Default individual influence on personal consumption in parecon.

Counterproposal

- **Shops** formulate consumption proposals in Annual Planning



Counterproposal

- New & better ways for individual influence

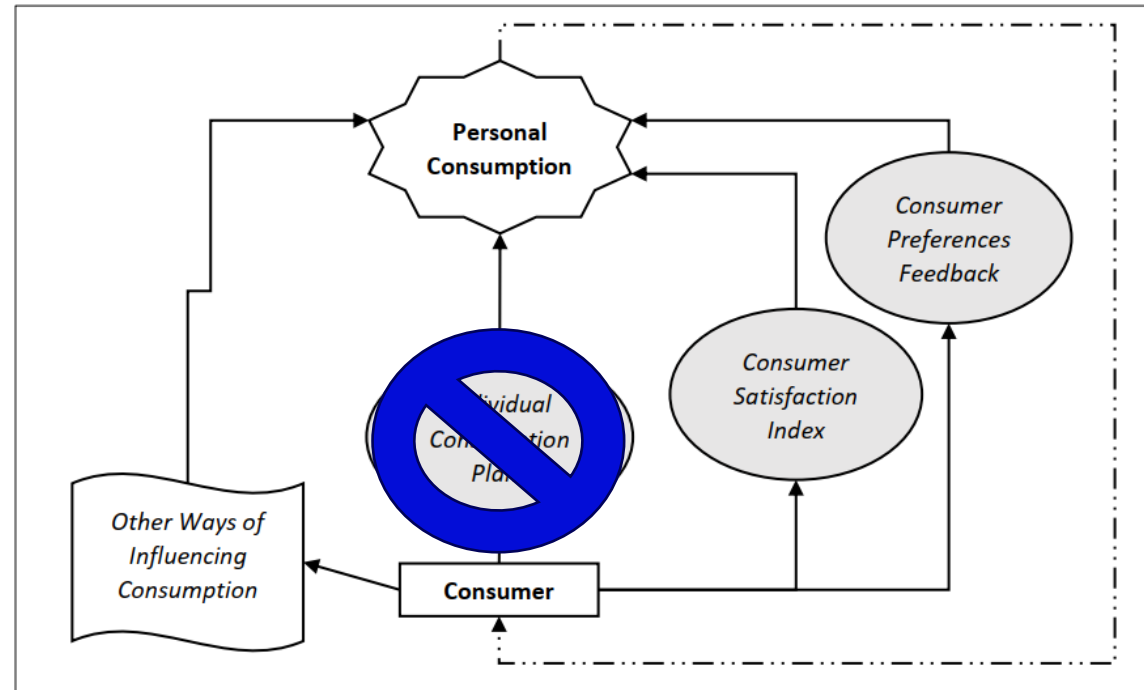
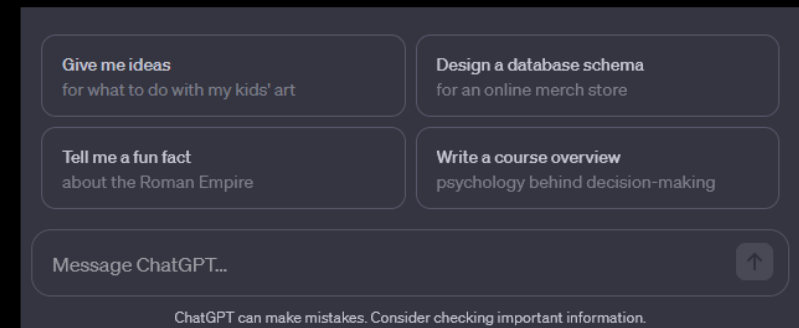
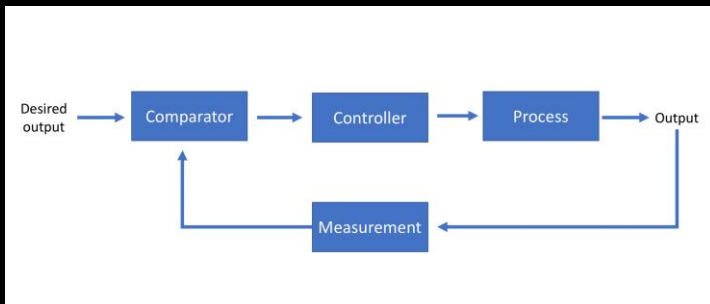


Figure 5 - Individual influence on personal consumption in parecon. Model A includes Individual Consumption Plans. Model B includes Consumer Satisfaction Index and Consumer Preferences Feedback. 'Other Ways' shown in Figure 2.

Counterproposal

- **Consumer Satisfaction Index**
 - Surveys / Polling
 - Index = Satisfaction w/ consumption
 - High satisfaction = high index
 - Low satisfaction = low index
- **Consumer Preferences Open Feedback**
 - Open format feedback
 - LLM processing (e.g. GPT)



Conclusion

Recap

- **Book on Participatory Economy**
- **Part One**
 - Presentations and Background
- **Part Two**
 - Gaps according to Anders
 - Gaps/Flaws according to Ferdia
- **Part Three**
 - An adjusted household consumption planning process – a dialogue

Conclusion

- ParEcon demands consideration
- Whether it is “the answer”?

Conclusion

- **The Participatory Economy Model is one of the most detailed and thought-out models of a post capitalist economy that has been presented so far.**
- **Just like any other economic model, it rests on abstractions and has many gaps that need to be filled, especially when attention is directed to the implementation of the model in a real-world economy**
- **These gaps can be filled within the frameworks of the model and without challenging the defining values and institutions of the model**

Questions?