

## On the path to Parecon

*Envisioning an intermediate social anarchist economy*

Brent Emerson

A Parecon<sup>1</sup>, according to Michael Albert and Robin Hahnel, is an economic system in which people participate as producers and consumers in creating a society-wide plan for production and allocation of goods. Producers work together cooperatively in self-managed workplaces where they are remunerated according to the effort they expend (as judged by their peers) and the difficulty of their jobs. Balanced Job Complexes rotate people within and between workplaces to distribute different kinds of work throughout the labor force. Workplaces exercise stewardship, but not ownership, over the capital goods they use—the means of production are not considered to be owned at all. Supply and demand are synchronized through successive iterative rounds of decentral planning in which producer and consumer proposals are aggregated by councils with ever-larger jurisdictions and ultimately compared economy-wide to produce indicative prices, which are used by workplaces and consumers to refine their proposals until production and consumption proposals match up.

Parecon has proved inspiring to many as a concrete proposal for structuring an economy around just and free economic relations. To transform an existing capitalist economy into something like Parecon—assuming that we aim to promote gradual change within existing institutions and relations rather than sudden revolution—two broad changes will be required:

- a gradual change in institutions, moving from individual and corporate capitalist ownership of the means of production to distributed common stewardship & accommodation of decentralized planning mechanisms; and
- a gradual change in cultural norms, as people learn to relate to each other economically in a spirit of entrepreneurial cooperation instead of surrendering to the labor market and tolerating/resisting command within capitalist firms.

This paper will sketch an intermediate economy located somewhere along the path from the current U.S. economy to a working Parecon.

### Goals

While exemplifying gradual progress towards these institutional and cultural changes, our intermediate economy should also address the same general economic goals as Parecon, which is structured to meet social anarchist ideals. Social anarchism (also called libertarian socialism), as an economic theory, aims to create a society within which individuals freely and creatively cooperate together as equals to produce and allocate goods and services. I believe that a social anarchist economy is successful to the extent that (in order of priority) its participants:

- (1) are free from economic oppression and coercion, exercising decision-making authority in proportion to the degree they are affected by outcomes<sup>2</sup>;
- (2) survive and are healthy;
- (3) have equal opportunity to participate in the production & consumption of goods and services and

- are justly remunerated for their labor;  
(4) are content and happy.

This is a very inexact list: freedom, survival, equality/justice and happiness are broad concepts which admit of degrees and qualitative differences of opinion. But the list suggests that these goals, in whatever specific form they take, are the only ones for which we should aim; efficiency, growth, innovation and other traditional economic goals may also be important, but only insofar as they are means to attain these primary goals. The order of priority suggests that in selecting between alternative goals to meet, one should work first to free people, then make sure everyone can at least survive, then equalize conditions and promote economic justice, then increase happiness: luxury and leisure are good, but only unproblematically so when they're available to all; equality and justice are cold comfort when people are dying unnecessarily; and a life not free is not a life at all.

### **An Intermediate Social Anarchist Economy: Description**

Walking down a commercial street in this imagined economy, you'd see shops of different shapes and sizes selling goods and services, pretty much like they do now. It'd take a while to identify the differences: waitresses and hairstylists and shelf-stockers all look a little happier, more spirited, stronger; the shoppers' interactions with sales clerks is a little more human, like they're talking to a family member rather than to a machine; and everyone (without a sacrifice in diversity or distinctiveness) looks kind of vaguely middle-class—there are no stores catering to the very wealthy and no people begging in the street. How is this place so similar to what you're used to, yet so different in these important ways?

**Firms** The majority of businesses are owned and operated by worker cooperatives. (Some, more suited to other forms, are operated instead by producer coops, consumer coops, credit unions, housing coops, individuals, public entities, or even capitalists). There are mom-and-pop operations, local chains, franchises, and huge conglomerates: tiny, small, medium, large, and huge, working in all industries and sectors. Many are cooperative corporations, but there are other legal structures too (e.g., partnerships, LLCs, C corporations); what they all have in common is that the workers own the business, govern it with a one-person-one-vote process, and share the business's surplus in proportion to how much they work. Befitting their diverse sizes, industries, and challenges, they use a diverse range of management structures (e.g., small flat collectives who insist on company-wide consensus on decisions, federations of autonomous self-managing collective teams, medium-sized firms with a few managers who respond to an assembly or board, large hierarchical management systems with an elected board of directors that makes most decisions); what they all have in common is that everyone is ultimately accountable via a democratic process to the workers who control the workplace.

**Markets and Property** Firms buy and sell goods and services to consumers and to each other on markets, where prices are set efficiently by the interaction of supply and demand. Outside the formal market, barter and gift economy elements are often found inside the social economy of worker coops, creating a solidarity economy whose features range from minor barter agreements and discounts to fellow cooperatives and their workers to comprehensive alliances that resemble anarcho-syndicalism<sup>3</sup>. The concept of private property is preserved, as coops own their own materials and capital goods.

**The State** The government (more democratic and diverse than we're used to, partially thanks to the new economy) has three new roles in the economy. It:

- (1) Redistributes wealth through transfer schemes working on both ends of the income/wealth spectrum: a truly progressive income tax and a substantially enlarged estate tax, and state-administered basic income coupons for various essential markets, such as food, housing and health care;
- (2) Welcomes women fully into the workforce by “reward[ing] family care and promot[ing] gender equality at the same time”, through reforms such as reducing employment hours for everyone to coincide with the hours children spend in school, providing universal preschool, mandating “use it or lose it” paid parental leave for all parents, taxing married individuals separately, eliminating the tax deduction for able-bodied adult “dependents” while providing generous deductions for people actually needing care, extending pro-rated benefits to all part-time workers, and requiring employment as a condition for benefits coverage<sup>4</sup>; and
- (3) Promotes and supports worker cooperatives in the economy and encourages decentral planning among worker coops: alliances to collectively complete supply chains, determine efficient allocations, and find opportunities for new firms.

## **An Intermediate Social Anarchist Economy: Analysis**

**Freedom** Although the economy described here combines features of capitalism, market socialism and social economy, it transcends these descriptions. It's not *capitalist* because the labor market withers away almost to the point of nonexistence, since workers usually start and join cooperatives rather than being hired for wages. (Although worker cooperatives are private firms which move their inputs and outputs on markets, labor is no longer one of those inputs. And although worker coops merely constitute the majority of firms and not the entire economy, it's reasonable to assume that the advantages available to workers in worker coops put pressure on other types of coops (e.g., credit unions, housing, producer, consumer) to enfranchise workers in decision-making and approximately match their compensation.) Additionally, the capitalist ownership class is eliminated by the estate tax (which greatly reduces capitalist accumulation) and widely distributed ownership of firms. On the other hand, the economy is not precisely state or market *socialist* because the state doesn't own the means of production, though it does continue to exist as an economic actor, administering incentive and redistribution programs.

This economy is best described as *social anarchist*, meaning that it prioritizes the individual exercise of creative free will—what happens when people choose where to work, take responsibility for the ownership and governance of their workplace, and exchange goods freely on formal and informal markets—while emphasizing human interdependence via the voluntary (cooperatives) and involuntary (state) democratic social institutions which structure economic activity. Anarchism as a political theory traditionally rejects the state as the ultimate locus of coercive power, the ultimate evil. As an economic theory, anarchism should first target the holders of coercive economic power, the capitalists, before deciding how to dissolve involuntary social institutions. The economy described here, though containing some roles for the state, eliminates the capitalists and moves economic decisions closer to the workers, empowering individuals and smaller groups. While private property is still a part of the system, since cooperatives own most capital goods, the means of production are held “privately” in common by many

people, blurring the private ownership of capitalism with the consolidated public ownership of state socialism. The whole notion of public/private blurs because the traditional opposition of the alienated individual vs. the state is replaced with a continuum—individual, cooperative, groups of coops, state—with decision-making at all levels and ownership in the middle (instead of both occurring only at the extremes).

**Survival** This economy eliminates extreme poverty, starvation, malnourishment and unnecessary illness by providing basic necessities (food, health care, housing) to everyone, ensuring universal survival. However, even after bringing everyone up to a very basic customary standard of living, a broader and more long-term challenge to human survival remains: the systematic destruction and degradation of the non-human physical environment (e.g., clean air and water, functioning atmosphere, productive land, habitat for plants and animals) upon which our lives depend.

In economic terms, this is commonly a result of the market failure of externalizing social costs; corporate capitalism encourages individual and firm behavior which is almost psychopathic in this regard. Worker cooperatives tend to far outstrip their competitors in instead internalizing these costs. (As an example, the fraction of worker coops qualified as Green Businesses or with environmental sustainability incorporated into their missions is substantially higher than the fraction of all firms so qualified or mission-driven.) A broad base of democratic input into firm behavior gives people the chance to control economic practices that directly affect them and their neighbors; it can be expected that inputs and outputs will be more carefully scrutinized for environmental impacts and social costs incorporated into the prices of goods and services.

**Justice** Worker cooperatives ignore the equity stake of their workers in matters of compensation, instead remunerating according to the perceived value of a person's time (e.g., higher pay for certain specialties, seniority raises) or according to the difficulty of a job (e.g., equal compensation for all with job rotation, or higher pay for more difficult jobs). Compensation according to effort or according to the value of contributed human capital are more just measures than the traditional compensation according to the value of contributed physical and human capital<sup>5</sup>. In addition, the state's basic income coupon program moves the overall payment criterion closer to "compensation according to need" (at least as concerns the universal needs of food, health care and housing), which goes beyond justice towards perhaps the most humane and generous way for humans to treat each other.

**Equality** Even after making compensation norms more just, a basic challenge to economic equality remains: some people enter the economy with substantially more or less wealth, which directly impacts their opportunity to contribute and be compensated. In the economy described here, an aggressive estate tax reduces the impact of capitalist accumulation and wealth inheritance, while basic income coupons ensure a basic standard of living (without removing the incentive to work); as a result, people enter the economy on considerably more even footing. Cooperative firms tend to flatten pay scales (both reducing the high end and increasing the low end), and widespread cooperative ownership means that capital gains and dividends are no longer important features of compensation; along with the progressive income tax, these features move incomes significantly closer to equality.

One gendered family of systematic economic inequalities still remains to be addressed: the

undercompensation of women for their work in the market, the difficulty of distributing household work and family care equitably between parents when the market requires a full-time wage earner to provide benefits, the traditional assignment of this work to women, and the lack of compensation for this work. In the economy described here, a series of state-sponsored reforms aims to promote equal opportunity for both men and women to engage in both household/family and market work. Providing universal preschool and synchronizing the school day with the work day eliminates the need to choose between market work and caring for one's children. Giving parental leave to both male and female parents incentivizes fathers to prioritize family care early in the development of their children. Tax reforms remove the "marriage penalty" and re-incentivize market work for both partners. Extending pro-rated benefits to part-time workers and requiring employment as a condition for benefits coverage both make possible and incentivize sharing market work and household work between partners. And in addition to these policy reforms, it can be expected that democratic workplaces will respond more equitably to their workers' requests for flexible work, gender-equal pay scales, etc.

**Happiness** In its efforts to fulfill our first three economic goals, this economy has made great strides towards the fourth: improvements in self-management, freedom from economic coercion, good health, equality and justice can be expected to make most people happier. With their basic needs taken care of, people can focus on what they want to do instead of what they have to do. The decrease in inequality should lead to a decrease in guilt, fear, and resentment caused by class struggle. More flexibility distributing market work and household work within the family should lead to greater happiness.

If worker cooperatives substitute for their capitalist cousins, their workers should be better compensated because the capitalists' share of profits is now being distributed to the workers; insofar as material goods can be said to influence happiness, workers should be happier with higher compensation or increased leisure time. But what seems to really make people happy is feeling pride in their work and experiencing meaningful and satisfying relationships with other people. In cooperative workplaces (where workers spend so much of their time) democratic control should contribute to the former, and reduced structural alienation and antagonism and increased incentives for honesty should make the latter common. (It should be noted that not everyone will be happier with this economy: capitalists, for instance. But making everyone happy falls on our list behind freedom, survival, equality and justice, with which capitalists' happiness frequently conflicts.)

**Efficiency** Prices are primarily set on markets, so this economy should allocate approximately as efficiently as capitalist markets. Considering the price-lowering pressure of informal gift/barter/solidarity economies and reduced incentives for individual profiteering, market prices might drift toward the supply side, encoding the cost of labor/inputs without padding for capitalist profit. If this means the economy spends less fattening up investors or CEOs past their optimally efficient remuneration level, this economy will allocate more efficiently than capitalist markets.

The state's basic income coupons provide only the barest necessities, and different firms will continue to compensate their workers at different rates, so income inequality will still exist, although in a reduced form. This inequality, in combination with the trend to compensate according to effort or human capital contribution, should keep people contributing to the workforce.

As regards efficiency within firms, there is some concern that the democratic governance structures used by worker coops would be slow to come to successful decisions, compared to the command structures of capitalist firms. But any inefficiencies in this area would be offset by increased worker productivity, more diversity of ideas from more inclusive policies, and the savings from reducing or eliminating the traditional capitalist antagonisms between labor and management.

**Progress toward Parecon** It's straightforward to see that this economy is structurally closer to Parecon than our own—the democratic workplaces are already in place! Making the transition from workplace “ownership” to stewardship without ownership is also built in, as cooperative workers in this economy make an “equity” claim only on the contents of their member account: their initial membership buy-in and any retained portions of patronage payments. The required cultural changes follow on the heels of these institutional changes: workers have become used to working cooperatively (causing social pressure against individual capitalist accumulation) and have come to expect democratic self-management and just compensation in their work (creating logistical challenges to operating a capitalist workplace); meanwhile, workplaces are beginning to experiment with decentral planning.

## **Objections, Answered**

### **Simply replacing capitalist businesses with worker cooperatives can't make society egalitarian**

True. But society's inegalitarian conditions are due to three factors: inequality between firms, inequality within firms, and inequality between the employed and unemployed. The first can't be addressed without conflicting with our primary economic goal, and it should perhaps be maintained in any case; the economy can benefit from a small amount of inequality between firms to motivate innovation, which is otherwise difficult without capitalist incentives. The second will be substantially reduced by worker coops' generally flat or limited pay differentials. The third is reduced by the state's basic income coupons, but not eliminated, so as to maintain incentives to enter the workplace.

### **An economy like this will eventually degrade into capitalism**

Not once worker cooperatives dominate the economy, and not while the state aggressively redistributes substantially above-average income and inheritance.

### **An economy of mostly worker cooperative firms would be too “workerist”**

Howard Hawkins makes a case for preferring community-oriented anarcho-communism over worker-oriented economic arrangements: the latter are (naturally) dominated by workers, and since not everyone is a worker, economic governance is not perfectly inclusive. Worker-oriented schemes either give all coordinating power to workers and workers' councils, or share economic coordination between workers and consumers, in which case workers get an “extra vote” (since every worker is a consumer).<sup>6</sup>

While it's true that not everyone can be a worker (disabilities, injuries, and extremes of age will and should intrude), this economy makes it possible for more people to work and exercise economic governance in that role. State-mandated reforms make it possible for both parents in most families to

enter the workplace. Democratic workplace governance should mean that older workers can maintain their status as workers (instead of being forcibly retired) with less physically demanding work, more flexible and reduced work hours, etc. Children's concerns would be represented by their parents in any governance scheme; in this economy they can be involved in the management of their school and in workplaces as they mature. Finally, if decision-making influence is to be in contention between workers and "the community", it's appropriate that the balance tilt toward workers. Production is necessarily prior to consumption; how can "the community" control production without violating producer self-management, our primary economic goal?

**This vision is an indulgent waste of time because it could never happen—worker coops are a tiny niche sector of the economy and always will be**

Well, this is a matter of speculative opinion. To be practical, there are many diverse developments that could lead to a worker coop-dominated economy, in three general categories:

- (1) **Private efforts** Amateur worker coop activists and professional worker coop developers can educate the public and organize workers into new cooperatives<sup>i</sup>; private loan and equity funds can focus investment on new viable worker coops. Academics can analyze theoretical worker coop economies and model them to provide guidance or suggest priorities for business development. Existing worker coops can federate to provide solidarity and education to each other and the public, invest their retained earnings in coop loan funds to provide capital for new coops, and explicitly build new coops in a variety of ways: by giving financial assistance and guidance to new coops; by cloning independent copies of themselves; by forming an association that develops allied "franchise" copies of themselves (the Arizmendi Bakery model); by spinning off new businesses with related inputs or outputs, or by sustaining a group that does nothing but develop new coops (the Mondragon models).
- (2) **State efforts** Small business assistance programs could include education about worker coops and small business loans could be offered to them; worker coops of all sizes could be subsidized with low-interest loans and tax incentives.
- (3) **Market effects** Worker coops should, with modest state support, be able to overcome the capital-raising problems that plague them and basically substitute for their capitalist cousins, with the exception that capitalist dividends are returned to the cooperative and to the workers, which means that workers at these entities should have a higher wage as well as the less tangible benefits of economic democracy. Made visible enough, this should demonstrate to workers that abandoning the labor market and joining cooperatives will get them better working conditions and better compensation, which should create greater demand for cooperative jobs, which can only be met by expanding existing coops or founding new ones. As more worker coops are created, they can create almost closed cooperative sub-economies in the larger capitalist economy, magnifying

---

i One of the most promising frontiers for worker coop development is in the area of owner succession. Small businesses employ 50% of the workforce, and many of these are family-owned. Of these family-owned small businesses, 50% plan to pass the business on to future generations, but only 15% successfully do this. (Stats are from Margaret Lund at the Northcountry Cooperative Development Fund.) Rescuing these businesses by selling them to their workers (or other workers) organized in a cooperative is both a recipe for success for the workers—taking over a successful, established business with an existing customer base has little risk—and a great exit strategy for the owners, as the sale-to-ESOP tax benefits apply to worker cooperative sales as well, but creating a coop is less expensive than creating an ESOP.

the above effect and exerting a substantial transformative force on the local economy.

## Conclusion

If we're headed for Parecon, an economy like the one described here would be a useful milestone along the path. And although it's envisioned as a stepping-stone to Parecon, this intermediate economy is also good enough to aim for in its own right. Judging it by the aforementioned measures of success, this economy: enhances economic freedom (by decimating the labor market and nearly universally extending the opportunity to work in a democratic workplace); enhances survival and public health (by eliminating poverty and making health care universally available); enhances equality of opportunity (by eliminating poverty and inherited wealth and by more fully enfranchising women into the economy) and economic justice (by giving control over compensation scales to democratic bodies); and enhances happiness (by employing more people in worker cooperatives, where their work is more satisfying and compensated better, and their work relationships and other conditions are more comfortable).

Especially when global political and economic systems sometimes seem close to collapse, another reason to value the economy described here becomes apparent in imagining the aftermath of such a collapse. A society of people who are accustomed to working together entrepreneurially and cooperatively could provide a robust first organizing framework for local economies to recover quickly and make optimal use of resources and institutions which already exist. Instead of panicking, not knowing how to organize without the comfortable command structure of capitalism, starting over from scratch, failing to provide for those most vulnerable, and falling prey all over again to the domination of the strongest, cooperative workers could simply pick up where they left off, reorganize existing cooperatives as needed, take common control of previously capitalist enterprises, and calmly and efficiently take responsibility for getting society back on its feet and taking care of each other.

## Epilogue: how do we get here?

Worker coops currently constitute only a fraction of a percent of firms in the United States. The first task, then, is to create many more worker coops (and other coops). Fruitful sub-tasks include:

- reorganize a business or create a new business as a worker cooperative;
- educate the public about the existence and features of worker coops (Cooperatively-run schools could be a large part of this, generating new economic actors who have experience with and the expectation of democracy in the workplace.);
- overcome the coop growth constraint—successful worker coops rarely have financial incentives to grow—by popularizing strong social incentives or cloning/franchise replication models;
- standardize cooperative law—the legal definition of “cooperative” varies by state and is often vague);
- overcome discrimination against worker coops in credit markets;
- train legal and financial professionals to work with worker cooperatives.



I suggest that cooperative development might occur in three distinct phases, with different actors dominating in each phase:

- **Private-dominated phase (0-1%)** Creating coops until they constitute 1% of the economy would be accomplished by an integrated wave of private efforts by activists, academics, coop developers, coop federations, private loan and equity funds, etc.;
- **State-dominated phase (1-15%)** Once the worker cooperative form has been demonstrated to the state and the public (at the 1% level) to be successful, the state could be convinced to provide incentives that help create new coops at a faster rate;
- **Market-dominated phase (15-70%)** Once worker cooperatives constitute 15% of the economy, market effects would take over, rapidly transforming the economy.

But worker coop domination of the economy is only half of this vision—the other half requires state intervention. Since the United States is governed by a democracy<sup>ii</sup>, we can theoretically influence this part through our elected representatives. Lobby them to:

- make income taxes truly progressive;
- significantly increase estate tax rates;
- provide basic income coupons for food, health care and housing;
- institute tax and employment policies that reward family care and promote gender equity; and
- promote and support worker cooperatives.

---

ii To the extent this is not true, it might be fruitful to work on election and representation reform (election technology, ranked-choice voting, proportional representation, etc.) and campaign finance reform to further democratize our government.

- 1 Michael Albert, *Parecon* (Verso, 2003)
- 2 Hahnel and Albert call this “self-management” (see Robin Hahnel, *Economic Justice and Democracy: From Competition to Cooperation* (Routledge, 2005), 45-55), and while I appreciate their exclusion of the strictly self-interested exercise of freedom in which actors run roughshod over each other, I choose to optimistically believe that the concept of “freedom” can be enlarged to mean “the ability to do as one wishes except insofar as such exercise impinges on others’ ability to do the same.” “Freedom” is a powerful word and concept—let’s use it!
- 3 Anarcho-syndicalism proposes to coordinate the economy through a holarchy of workers’ councils organized by industry and geography; see Rudolf Rocker, *Anarcho-Syndicalism* (London, 1989; orig. 1938).
- 4 Nancy Folbre, *The Invisible Heart: Economics and Family Values* (New Press, 2001), 225-232
- 5 Hahnel, *Economic Justice and Democracy: From Competition to Cooperation* 18-32
- 6 Howard Hawkins, “Community Control, Workers’ Control, and the Cooperative Commonwealth,” *Society and Nature* 3 (1993): 61-62