

A Planned Economy with No Central Planning Authority

written by Tom Wetzel | August 14, 2024



In *Democratic Economic Planning*, Robin Hahnel says that his “most important contribution is” having “explained concretely how to reconcile comprehensive democratic planning” with worker autonomy and self-management. As Hahnel said in a Summer 2023 *New Politics* essay: “Early socialists, including Marx himself, were clear that instead of profit-hungry capitalists and the ‘anarchy’ of markets ... the ‘associated producers’ should decide among themselves what to produce, how to produce it, and how to distribute it.”

The belief that a central planning authority was needed is rather a product of the early twentieth century, especially the Bolshevik project of concentrating planning control in a statist central planning authority. Hahnel says the key lesson from the failure of “real world” socialism in the twentieth century is this: *No central planning authority is required!* He puts the situation this way:

While early socialists championed conscious decision-making over impersonal coordination by markets, they did *not* propose a decider. Instead they proposed that the *associated producers* decide for, and among, themselves. And these are not the same thing at all (p. 294).

Democratic Economic Planning is a technical academic work and contains bits of mathematical economics I’m not qualified to judge. Nonetheless, most of his discussion is in reasonably accessible English. Anarchist and Marxist readers may be put off by Hahnel’s reliance on mainstream economics jargon, but this proposal for a socialist economy is worth making the effort to understand. There is no discussion of strategy for achieving a self-managed socialist economy here. As Hahnel says, this is a “description of the destination, not a flight plan.”

The Critique of Central Planning

At the time of the “socialist calculation debate” in the early twentieth century, anti-socialists assumed that a planned socialist economy requires a single “decider”—a central planning authority. Hahnel’s extensive study shows that this is a false assumption.

The anti-socialist case against central planning rested on two arguments. First, the amount of information needed for efficient allocation of resources was arguably too large for the central planning agency to marshal. According to Hahnel, the development of computer technology and mathematical programming techniques made this argument moot.

The second anti-socialist argument claimed that the central planning authority would be unable to make use of the “tacit knowledge” workers and managers in local facilities have from their skills and experience in doing production. In the Soviet Union central planners used a method called “material balances” as the basis for developing a plan. This relied on information about the actual techniques

and resources used in the previous period. Hahnel points out that this method lacks dynamic efficiency because it can't account for new technical possibilities that might increase efficiency.

To overcome the "tacit knowledge" problem, later advocates of central planning proposed iterative (back-and-forth) techniques to encourage local production units to reveal their real abilities. For example, local units could propose a plan based on maximizing their rate of return or based on a set of resources the central authority would make available. The hope was that the response by local units would reveal their production potential. Thus these would be learning techniques for the central planning agency.

Hahnel argues that a solution for this problem is unlikely under central planning for it would be dangerous for managers of local units to provide an accurate picture of their abilities. If they did, the central planning authority might then require the local units to work to their maximum ability. This would put managers at risk if a glitch led to failure. Thus the actual tendency under central planning is "a cat and mouse game" in which local managers hoard resources and hide their true capacity to ensure they can easily meet their assigned goals. He points out that large capitalist corporations also have this problem to some extent: in cases where divisional or plant managers do not provide fully truthful information to upper levels of the control apparatus.

Hahnel argues, however, that central planning's main problem is that it is inherently incompatible with worker autonomy and self-management. Central planning, he says, is not simply some back-and-forth communication between the central authority and local units. On the contrary, the relationship is based on command by the central authority and subordination of local units to orders from above. Because the central authority needs to have local units do what it demands, they will also want to appoint managers to control the workforce. Thus in the Soviet Union, the thousand or so enterprises seized by workers and placed under control of worker assemblies and elected worker committees in 1917-1918 were almost entirely converted to control by a managerial bureaucracy appointed from above by 1920. It is easier to hold a single manager accountable to your orders rather than an entire worker collective. Similarly, managers of an industry or facility will tend to appoint supervisors or unit managers to control the workforce. In so doing this structure shapes mass consciousness because workers have no decision-making power. Mass apathy is the result.

W. Paul Cockshott and Allin Cottrell have recently argued for a democratic form of socialist economy in *Towards a New Socialism* (1993) and other writings. They propose that workers be remunerated in labor tokens according to the number of hours worked. Consumer goods would then be priced according to the number of worker hours it takes to produce them. This is roughly similar to Marx's proposal in *Critique of the Gotha Program*. Cockshott and Cottrell concede, however, that work "intensity" also needs to be taken into account. So some workers would receive more remuneration per hour as they pack more work effort in a shorter time. Hahnel agrees with Cockshott and Cottrell's proposal for worker remuneration but argues their proposal for society-wide decisions for social planning is a form of central planning and is inconsistent with worker self-management. If everyone in the society makes decisions about production and workplaces, then a worker in a workplace has no more say than anyone else in the society.

Cockshott and Cottrell note that supply and demand for goods is never equal and thus "it is only average prices that should equal labor values." Hahnel comments that to their credit Cockshott and Cottrell acknowledge that while this procedure will yield a production plan for private goods that consumers purchase with their labor tokens, it cannot decide how much public goods or capital goods to produce (p. 313).

Cockshott and Cottrell propose a popular referendum on the division of the social product between private consumption, public goods and services, and investment. Hahnel argues that this is

inconsistent with a meaningful level of worker self-management. Any person in the society would have as much say as the workers in a particular facility over what they will produce and what inputs they will have to work with. If the referendum carries, then government officials would, as I explain in *Overcoming Capitalism* (AK Press, 2022), “assign inputs and output goals to the various production groups, which means that workers would be denied effective self-management over their work and workplaces.”

Hahnel also argues that the methods Cockshott and Cottrell propose will not lead to an efficient plan. Their proposal can only take account of the opportunity costs of using labor. But they have no way to accurately estimate environmental costs. Nor do they have a way to account for the opportunity costs of using existing means of production, which are a scarce good.

Hahnel’s Alternative

Hahnel’s alternative is based on the separation of planning into two decision-making channels. Through their neighborhood assemblies (“consumer councils”) the general population can participate in developing requests for both private consumption goods and public goods and services. And worker production organizations (“worker councils”) would develop their own plans for what they propose to produce. This is what I call the “dual governance” model. The earliest version of this was guild socialism (see G.D.H. Cole’s *Guild Socialism Restated* [1920]). But guild socialism had two serious flaws: (1) Prices were supposed to emerge from face-to-face negotiations between worker councils and councils representing neighborhoods or consumers of services, but there was no procedure to guarantee that prices would be accurate. (2) Moreover, since neighborhood assemblies and worker councils already required time from the participants, additional negotiating sessions between worker and consumer representatives would make further demands on everyone’s time.

Hahnel’s proposal avoids both of these problems. His model would include no negotiating sessions between worker and consumer representatives because each of the councils would develop its own “self-activity” plans. But how would they know these plans would be socially responsible?

Hahnel’s solution is a non-market price system. All organizations that develop plans would use a single society-wide price schedule that includes intermediate and finished goods, material resources, kinds of labor skill, and environmental costs. The price schedule is developed by a staff organization attached to the society-wide governance system. This staff organization then aggregates projected supply and projected demand from all the submitted plans and uses agreed-to pricing rules to generate the price schedule. But this is not a central planning authority. It issues no demands, targets, or plans. Nor does it “set” prices. Prices fall out of the plans the worker and consumer groups develop.

With no central planning authority, the consumer councils and worker councils have to use the price schedule to stay within budget. After all the entities have adjusted their plans, a new price schedule issues from the changed consumption and production proposals. The idea is that all the entities in the system of distributed planning are “adjusting” to each other. How many of these “rounds” of adjustment are needed to reach a viable plan? In Chapter 9 Hahnel discusses the computer simulations that have been developed to try to answer this question. Results so far indicate that a viable plan would require no more than five to eight rounds. Hahnel suggests that these rounds could occur during the month of December in order to set a plan for the coming year. But would people have the patience for eight rounds of tweaking their plans? I’m skeptical. If they decide to end at fewer rounds, more mid-year adjustments might then be required.

In Hahnel’s treatment of democratic social planning each type of planning will have its own time

horizon. In their earlier writings about participatory planning, Hahnel and Michael Albert focus on the development of a production plan for the coming year. This is where planning by the local consumer councils and worker councils comes to the fore. In *Democratic Economic Planning* Hahnel also develops proposals for various forms of planning with a longer time horizon. The long-run planning for new equipment and capacity for production focuses on a time horizon of fewer than ten years. But other forms of planning have an even longer time horizon—planning for long-run environmental protection, development of the workforce skills that will be needed in coming years, and planning for infrastructure, such as a new subway line or bridge or other facilities that will be used for decades into the future. This is the first time that these long-range forms of planning have been integrated into a participatory planning framework. Hahnel also has a chapter on caring work or “social reproduction” labor. I believe this is the first time this has been added to the participatory planning framework.

How do we know if a production group’s plan is socially responsible? This will show in the year-end results. A production group does not own its means of production; it only has “user rights.” To maintain these rights the production group’s results must produce social benefit equal to, or greater than, the costs of production. If the benefit to cost ratio is less than one, there is a *prima facie* case for disbanding that group. In that case the worker federation for that industry might transfer the group’s resources to other production groups. However, this could be appealed. The industry federation might send a team to find out why the production group is failing. They might propose various solutions, such as investment in less polluting equipment, new training, or sending workers from that group to more successful groups for learning.

For Hahnel, planning activity takes place at different levels depending on how widely people are affected. Thus certain forms of planning will take place at a society-wide level, such as planning for transportation policy or universal provision of free-to-user health care. This is where certain society-wide institutions come into play, such as the National Federation of Consumer Councils, the industry federations, and the National Federation of Worker Councils. The planning at this level would occur through conventions of elected delegates. Hahnel points out that society-wide planning has to take place first, before local planning. A city population can’t make plans for roads or local health clinics without taking account of society-wide transportation and health plans.

The society-wide federations also play an important role for Hahnel in long-term planning and in issues such as planning for infrastructure that will be used for decades. The local consumer councils and worker councils come to the fore in the planning for production in the coming year. If more of the social product goes into investment in the coming year, then less is available for consumption. Hahnel thinks the consumer councils would be more likely to push for more of the social product going to consumption, while the worker councils and industry federations would press for investment in production capacity.

But planning for next year’s production cannot happen without first deciding the long-term investment in expanded production capacity, development of needed workforce education, environmental protection, and infrastructure. Thus Hahnel suggests the long-term investment planning might be carried out in November and then the plan for the coming year in December—taking into account the next year’s long-term investment requirements. In the long-term planning for infrastructure and production goods, the National Federation of Worker Councils and industry federations would estimate costs, and the National Federation of Consumer Councils would decide how desirable a proposal is. Staff organizations could provide expert advice. Scientists in a “Ministry of Environment,” for example, could monitor emissions or have expertise in environmental medicine.

A basic problem for long-run planning is that technologies, consumer preferences, and other

conditions in the future are not now known. So planners will need to make intelligent guesses. The effectiveness of long-run plans, Hahnel explains, can be checked against results at the end of each year. Long-run plans can then be tweaked to adjust for mistaken projections.

In an appendix Hahnel evaluates a series of economic planning proposals—by Cockshott and Cottrell, Pat Devine, Dan Saros, and David Laibman. After detailing problems in these proposals, he critiques how Marxists think about prices: “To be perfectly blunt, we believe that proponents of different models of socialism who cling to their Marxist roots struggle mightily over the question of prices. . . . Sometimes their Marxist roots lead them to dismiss the importance of getting relative prices ‘right’ as a fetish of bourgeois economics” (p. 341). Hahnel argues that accurate quantitative estimates of opportunity costs of scarce resources, social costs of producing final goods, intermediate goods, produced means of production (“capital goods”), costs of emitting various pollutants, and social rates of return on investment are crucial for two reasons. First, without accurate estimates productive resources cannot be allocated efficiently. And, even more important, worker and consumer councils (and federations of these) need accurate estimates to plan effectively and in a timely manner. The “reluctance to surrender” to this need for accurate estimates of social costs, in his view, can create confusion and a lack of clear thinking. To this I will add that anarchists can also have this problem. In *The Conquest of Bread*, for example, Kropotkin vehemently tries to avoid anything that looks like a price system.

Getting Accurate Estimates of Pollution Damage

Some socialists have assumed that trained economists and scientists hired by the government can accurately calculate damages from polluting emissions. Hahnel says this is “naïve.” Clearly, he explains, “private enterprise and markets have long exerted a bias in favor of . . . activities that have negative external effects and against activities that generate positive external effects. The clearest example, which now threatens civilization as we know it, is the activities that emit greenhouse gases are favored because their negative effects go unaccounted for in market prices . . .” (p. 299). Although the problem of global warming requires international negotiation, Hahnel offers proposals to overcome environmental damage from emissions. These include long-term environmental planning and a “Pollution Damage Revealing Mechanism” (PDRM), which he sees as “most useful for local pollutants, pollutants whose effects are not lethal, and whose effects are relatively well understood.”

A key part of the PDRM is the formation of “Communities of Affected Parties” (CAPs) to deal with pollutants. He doesn’t say how these CAPs would be organized, but he thinks that the resident (“consumer”) councils could put them together. The National Federation of Consumer Councils could also play a key role in the demand and planning for environmental protection at the society-wide level—advised by a “Ministry of Environment.”

In his proposal the CAPs would be able to simply ban pollutants, meaning area residents would have a kind of property right over the ecological commons. The CAPs may also generate pollution permits for production groups, allowing some emissions of a certain pollutant. CAP members would receive credit for the damages suffered. This form of “sacrifice” would give the CAPs an increase in income. This is Hahnel’s way of implementing the “polluter pays” principle.

How does this lead to an accurate price for pollution damage? As follows. If the price schedule has a damage estimate for a pollutant that is too low, the CAP may not find it in its interest to issue a permit for as large an emission level as the production group requesting the permit wants. And thus in the current round of planning an excess demand over supply for the pollution permit would drive up the price in the next price schedule. If the proposed price for the permit is too high, the demand from production groups for the permit would drop. So as rounds of the annual planning process

continue, the price for the pollutant will adjust so requests from the production groups for permission for a level of emissions will equal the permissions the CAPs are willing to grant. The price at that point is the “efficient” price because the estimate of damages will be roughly equal to the benefit from allowing that level of emissions.

Hahnel defines *throughput* as all the material resources used and the damaging emissions produced. He then defines environmental throughput efficiency as reducing the throughput per unit of output. A successful environmental strategy, he explains, is reduced to “kicking the can down the road.” This strategy works continuously to improve environmental throughput efficiency by substituting renewables for non-renewable resources, reducing the output of damaging emissions, and replacing scarce resources with resources that are less scarce. Says Hahnel: “Fortunately—contrary to what many in the degrowth movement believe—this process of ‘kicking the can down the road’ can be done while increasing economic well-being for far longer than humans care to worry about” (p. 263).

Thus Hahnel criticizes “degrowth” assumptions while throwing the gauntlet down to “ecomodernists” and “climate Leninists”—rejecting their assumption that statist central planning is needed for a solution to the environmental crisis.

From my point of view, a weakness of Hahnel’s overall proposal is that he avoids the question of the state, or what replaces the state. At one point he mentions the “national legislature,” but doesn’t explain what this is. I don’t see why the congresses of the National Federation of Consumer Councils and National Federation of Worker Councils could not form a bicameral legislature. But Hahnel does not discuss issues such as the police, courts, or military. Hahnel notes that in various revolutions in the twentieth century the tendency was for worker control of production to disappear after the initial revolutionary upsurge. This was true of both the Russian and Spanish revolutions. After the Communists wormed their way into control of sections of the police and army in the Spanish Republican state, they began to use these armed bodies to seize and nationalize worker-run industries, such as the arms, telephone, and motion picture industries. I think this is likely to be a problem if the workers do not gain direct, democratic control over the dominant armed power in society in the revolutionary period.

If we think about the outcome if a revolutionary era develops, different socialist ideas and proposals may become dominant in different regions or countries. Pieces of participatory economy might be used in different forms. Hahnel doesn’t really address the issue of variations in self-managed socialism across regions.

Hahnel’s proposal has similarities and differences to syndicalist proposals for economic planning and governance, such as *After the Revolution* (1935) by Diego Abad de Santillan or the program in Rudolf Rocker’s *Anarcho-syndicalism: Theory and Practice*. A basic issue is, What ensures the worker self-managed industries act in a socially accountable way? De Santillan proposed that all industries would be run by worker-controlled industry federations that would be united into regional and federal worker congresses, which he called “Councils of Economy.” He suggested that “the federal council would act as a social counterweight, which, in case of need, would restrict the corporative trade unionism [that] might manifest itself to excess” (p. 83). This is an example of what Hahnel calls “the one big meeting” approach to social planning. I tend to agree with Hahnel that a separate community sphere of decision-making is necessary to ensure socially responsible action on the part of workplace groups—through the community-based planning of requests for provision of goods and services, monitoring product quality, and ensuring protection of the environment against damaging pollutants. Thus we can have both self-management of decision-making in communities and in workplaces.