

# The Economic Foundations of an Ecological Society

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*Abstract: This article examines the preconditions of economic democracy and attempts to trace an economic model of a democratic-ecological society, as well as the transition strategy that will lead us from "here" to "there". The dominant characteristic of this model, which differentiates it from similar models of centralised or decentralised Planning, is that, although it does not depend on the prior (mythical) abolition of scarcity, it does secure the satisfaction of basic needs without sacrificing freedom of choice in a stateless, moneyless and marketless economy.*

The fact that any attempt to "objectify" the liberatory project, in other words, the project for an ecological society, may be both futile and undesirable (as I tried to show in my article "The 'Objectivity' of the Liberatory Project"<sup>1</sup>) does not mean that "anything goes" as regards the interpretation of the present crisis and the ways to overcome it. As I pointed out there, "it is impossible to accept the peculiar pluralism that, for example, Naess<sup>2</sup> proposes, since the very choice of a particular tradition implies that only a specific set of interpretations is compatible with it." If, therefore, we decide to choose the autonomy tradition, or what Murray Bookchin calls "The Legacy of Freedom",<sup>3</sup> and we adopt the radical because we believe, as I do, that the radical green movement's demand for confederal municipalism, which simply expresses the form that this historical tradition takes today, then this decision has definite implications on the way we interpret the causes of the present crisis, the way we envision the ecological society and the strategy for the transition to it. In this article, I will attempt to spell out these implications with respect to a conception of the ecological society which is compatible with the autonomy tradition.

## **Economic Democracy Defined**

To start with, I have to point out that when I referred above to "traditions" I meant, of course, traditions with respect to historical forms of social organisation and not philosophical and/or religious traditions (e.g., Taoism). In this sense, the autonomy tradition reached its peak, in the ancient world, in the classical Athenian direct-democratic form of social organisation and reappeared again in the twelfth century

A.D. with the development of the new cities in Europe and their struggle for self government. If, therefore, direct face-to-face democracy is the political basis on which an ecological society should be founded, then economic democracy must be its economic basis. So, the economic preconditions of an ecological society may be defined in terms of economic democracy. However, an immediate problem arises here with respect to the definition of economic democracy. The usual definitions given by liberals, socialists and even some Green economists can be shown to be either inadequate or *particular* or both, and sometimes they tend to emphasise only one of the two main aspects of economic power: ownership and control.

Neoliberals, for instance, identify economic democracy with "popular capitalism", which, however, can secure neither democratic ownership nor control. Thus, as the Thatcherite experiment of popular capitalism has shown, a wider spreading in the ownership of shares does not imply a smaller concentration of ownership and economic power.<sup>4</sup> Furthermore, the spreading of shares is not, by itself, related to a higher degree of democratic control since the crucial economic decisions are still taken by managers and technocrats on the basis of profit-making considerations.

Socialist practice, in the past, tended to identify economic democracy with a system that minimises or abolishes socioeconomic differences which, according to marxist theory, were due, "in the last instance", to the unequal distribution of private property. This implied that the state should be involved in either a process of redistributing income through taxation and the welfare system (social democracy) or in a process of abolition of private property on the means of production (actually existing socialism). However, as private property of the means of production is only one aspect of economic power, the attempt to minimise the effects of its unequal distribution on income, or even its abolition, could not secure, by itself, the abolition of economic power relations. So, the outcome was that the economic power of the *capitalist elite controlling the private sector* in capitalist economic "democracy" was simply replaced by the economic power of the *party elite controlling the state sector* in socialist economic "democracy".

Today, after the collapse of "actually existing socialism", most socialists have abandoned any vision for a marketless, stateless, noncapitalist society and identify economic democracy with the enhancement of "civil society". Furthermore, they do not propose any dialectical tension between the nation-state and civil society, since the enhancement of the latter has nothing to do anymore with the process of withering away of the former, but it solely aims to counterbalance or just check the state's power, within a capitalist market system. In other words, the vision of a socialist planned economy, to emerge after a transition period, has simply been abandoned by most socialists today.<sup>5</sup>

Finally, some Green economists identify economic democracy with various forms of "employee ownership" and "workplace democracy".<sup>6</sup> However, even when such forms of economic organisation presuppose democratic control/ownership, control is narrowly defined to cover only workers and employees and not society at large. This (combined with the fact that in this type of economic democracy it is still the market that ultimately determines what is to be produced and how) could imply that what is involved is not a fundamental change in the nature of a competitive system, which is based on the "grow-or-die" principle. Such proposals, therefore, could only be useful for the *transition* to the ecological society, as they do not imply the abolition of economic power but simply its further decentralisation, while, at the same time, they cannot secure (like the capitalist and socialist versions of economic democracy) the pursuit of the general interest. It is therefore obvious that we need a definition of economic democracy which involves the abolition of economic power itself.

A perhaps useful way to define economic democracy, in a way that implies the abolition of economic power relations, would be to start with the definition of direct democracy. We may simply define direct democracy as the form of political organisation which, through direct citizen participation in the political decision-taking and decision-implementing process, secures an equal distribution of political power among citizens. It is obvious that such a kind of democratic process, which involves the revival of citizens' assemblies, is feasible today only at the community<sup>7</sup> or municipality level. Thus, the municipality (or its subdivisions, e.g., the neighbourhood) becomes the authentic unit of political life, "the basis for a free society, the irreducible ground for individuality as well as society".<sup>8</sup> This definition of democracy explicitly involves the negation of political power, and it implies the authority of the people in the political sphere.

Correspondingly, we might define economic democracy as an economic *structure* and a *process* which, through direct citizen participation in the economic decision-taking and decision-implementing process, secures an equal distribution of economic power among citizens. As with the case of direct democracy, economic democracy today is only feasible at the municipal level. In other words, it involves the municipalization of the economy, something radically different from both the two main forms of concentration of economic power ("existing" capitalism/socialism), as well as from the various types of collectivist capitalism, either of the "workers' control" type, or of the milder versions that social democrats of the post-Keynesian variety suggest.<sup>9</sup>

Thus, community 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 community, therefore, becomes the authentic unit of economic life, since economic democracy is non-feasible today unless both the ownership and control of productive resources are organised at the community level. In fact, the community concept itself implies the negation of economic power. Thus, Michael Taylor,<sup>10</sup> drawing on the experience of stateless primitive societies, peasant communities and “intentional” (utopian) communities, shows that a community requires a rough economic equality, as well as relations between its members which involve reciprocity (mutual aid, cooperation, sharing) and that are *direct* (i.e., unmediated by representatives, leaders, etc.) and many-sided.<sup>11</sup> 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.

## **The Preconditions of Economic Democracy**

However, given today's high degree of concentration of economic power and international interdependence, it is difficult even to imagine a radically different form of society based on economic democracy. Is such a society feasible today? What should be the system of allocation of resources that would be compatible with economic democracy? How do we move from “here” to “there”? The magnitude of the questions asked obviously implies the need for significant collective research work. In this paper, therefore, we can only make some tentative proposals about the general guidelines that could be used in such an undertaking. Of course, theory can only explore possibilities, and it is up to social “praxis” to give concrete content to the new form of social organisation.

A useful starting point in this discussion could be Murray Bookchin's concept of confederal municipalism,<sup>12</sup> which, in fact, integrates direct and economic democracy in the context of a confederation of municipalities. Although the general principles of a confederal municipalist approach have been developed in the past, within the anarcho-communist tradition, still, it was Bookchin that put forward a new synthesis of this tradition and the demand for an ecological (post-scarcity) society and, also, proposed a new strategy for social transformation. In this paper, Bookchin's approach is further developed and an attempt is made to put forward a new vision of economic democracy, as well as some concrete proposals about how such a democratic model of the economy could function. In this double sense, the approach proposed here represents an original community-oriented model of the economy.

We may identify three conditions that must be satisfied for economic democracy to be feasible:

- I. community self-reliance
- II. community ownership of productive resources, and
- III. confederal allocation of resources.

## **I. Community Self-reliance**

Self-reliance here is defined in terms of autonomy,<sup>13</sup> 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 at the community level, 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. The historical trend away from self-reliance has had important implications at the macro-economic and environmental as well as the social and cultural levels. At the macro-economic level, millions 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. The latest version of GATT, for instance, would make self-reliance in agriculture almost impossible, destroying in the process the livelihood of millions of farmers all over the world and transforming agriculture into an even more chemical-intensive process controlled by big agro-business. Also, 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 cooperation, transforming human beings into passive citizens and consumers.

Finally, 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.<sup>14</sup> It should therefore be stressed that self-reliance is a necessary condition (though, of course, not a sufficient one as well) for the creation of an ecologically sustainable world order. This is so because 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.

Economic democracy is therefore impossible without such a radical decentralisation of economic power that will render self-reliance feasible. However, a radical decentralisation implies, in fact, that the type of development which historically has identified Progress with economic growth and efficiency has to be abandoned because the trend away from local economic self-reliance was an inevitable by-product of the capitalist development model adopted. In other words, the features associated with this trend (division of labour, specialisation, exploitation of comparative advantage through free trade) followed inevitably from the expansionary nature of capitalism and its grow-or-die dynamic. Also, the marxist adoption of the capitalist idea of Progress, in the sense of development of productive forces, led to a similar eco-destructive process of growth in East Europe. Both the orthodox and the marxist economic theory could be used to show that the maximisation of economic growth and efficiency crucially depends on the further division of labour, specialisation and the expansion of the size of the market. This is why modern technology has always been designed to maximise economic efficiency (in the narrow economic sense of improving productivity and cost effectiveness) through further expansion of the division of labour and the degree of specialisation, irrespective of the broader economic and social implications.

Still, the trend away from self-reliance has also been associated with significant socioeconomic costs that have long been the object of criticism by radical economists.<sup>15</sup> Thus, deskilling, vulnerability and economic dependence are the respective costs of the division of labour, specialisation and free trade. In other words, this trend implies a radical shift away from individual and social autonomy. So, the pre-capitalist hierarchical social structures, which were, mainly, based on non-economic factors, were simply replaced in capitalism by new hierarchical structures built on economic foundations. It is therefore necessary for these economic foundations to be eliminated so that domination of human by human can be abolished.

Today, a form of economic decentralisation is taking place within the capitalist system, a decentralisation which is due to technological changes. Stages within the production process (for some products, even the production process itself) that used to take place in advanced capitalist countries have been moving to the periphery, or the semi-periphery (Mexico, Korea, Mediterranean Europe). Multinational Corporations (MNCs) now have the technological capability to shift parts of productive activity from the centre to the periphery, in order to minimise production costs (including environmental costs). I will call this process *dependent decentralisation* because it does not lead to the creation of self-reliant communities and implies a reproduction of the hierarchical division of labour and the

dominance/dependence relations.

The very dynamics of neoliberalism, which is a process of liberating markets from the "constraints" imposed by the state in the period of the post-war boom (including the constraints created by the state commitment to full employment and the welfare state), lead to concentration of economic power. This was witnessed, for instance, by the process of mass take-overs, mergers, and so on, that took place in the late 1980s within the European Community area, in view of the creation of the huge internal market in 1993. This concentration, in turn, leads to the creation of huge economic blocks: the European block, the American block and finally the Japanese block. Each of those blocks has a core (Germany, the USA, Japan), a number of metropolitan countries in some degree of dependence with respect to the core country (Canada, France, the UK, Italy, etc.) and finally a periphery (Mexico, Mediterranean Europe, Taiwan, Korea, etc.). So, any decentralisation that takes place within this process is physical, not economic, since economic power remains at the metropolitan centres.

In fact, this process of economic power concentration refers not just to economic decisions being taken at the micro-economic level (by the managers of huge MNCs) but to macro-economic decisions as well. Take, for instance, the "principle of subsidiarity" that is being introduced in the European Community to calm the fears of the European peoples, who see even their present minimal capability to self-determination being usurped. This principle, which requires decisions to be taken at the lowest possible level, refers mainly to the decentralisation of political decisions whereas the main economic decisions are left to be taken at the centre, by the political and technocratic elite, through the institutions of the Economic and Monetary Union that are being established.

Opposed to this type of decentralisation, a *self-reliant decentralisation* can only be founded on the horizontal interdependence of economically self-reliant communities. The economic relations between the confederated communities 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. Self-reliance within this framework should imply that the basic needs (food, clothing, shelter, energy, as well as health, education and other social services) should be covered at the municipality level.

An important question that has to be asked with respect to self-reliance is the size of the economic unit (i.e., the size of the community), which, on the one hand, makes self-reliance viable and, on the other, is compatible with direct and economic democracy. As regards economic viability, no general a priori answer

can be given, in view of the significance of such factors as the access to raw materials, climate, geography and others. The fact, however, that at the beginning of this decade 60 percent of the countries with less than 500,000 in population and 70 percent of those with less than 100,000 belonged to the group of countries classified by the World Bank as "high-income" or "upper-middle income"<sup>16</sup> indicates that the size of the community is not crucial with respect to economic viability, provided, of course, that it exceeds a certain minimum (say, 30,000) that would allow the local satisfaction of basic needs.

It is therefore compatibility with direct and economic democracy, that is, the feasibility of decision taking in face-to-face assemblies, that should be the basic determinant of the size of the self-reliant community. On these grounds, the municipality emerges as the most appropriate economic unit that could constitute the nucleus of an ecological society. However, given the huge size of many modern cities, this implies that many of them will have to be broken up for this purpose. Still, this does not require their immediate *physical* decentralisation, which is obviously a long-term project, but only their institutional decentralisation, which could be introduced immediately.

### **Self-reliance in the Transitional Period**

But how can we create the conditions for self-reliance today, that is, how can we help the transition from "here" to "there", from dependent to self-reliant eco-communities? In attempting to answer this question, it may be useful to distinguish between intra-community and inter-community steps that may be taken to promote self-reliance.

As regards, first, the intra-community steps towards economic self-reliance,<sup>17</sup> confederal municipalists should struggle for a radical decentralisation of power to the municipalities. This should involve the shift of taxing power from the national to the local level. The shift of tax power to the municipalities would allow citizens' assemblies to determine the tax burden as well as the way to be taxed, on the basis of the overall objective to enhance self-reliance. Further, it should involve the shift to municipalities of important social services (education, health, housing, etc.) that have been moved initially to the state and now, increasingly, to the private sector.

Measures to enhance self-reliance should include the creation of community co-operatives to maximise local employment, of community banks to finance local projects, as well as the establishment of local centres for the provision of social services that would improve the quality of life for all citizens. Confederal municipalists should therefore put forward comprehensive programs that will



contain concrete proposals on the changes required in the economic structure of each municipality, as well as its institutions, so that the economic and ecological concerns of the people could be tackled within a democratic framework.

A shift towards greater self-reliance would involve people in the community producing more for themselves and one another, as well as substituting locally produced goods and services for goods produced outside the community. Furthermore, people could be induced to buy in their local shop (instead of buying in a supermarket branch that brings goods from thousands of miles away), which — with financial incentives provided by the local authority — could be induced to stock locally produced goods. This in turn will encourage local producers (farmers, craftsmen, etc.) to produce for and sell at the local market, breaking the chains of big manufacturers. As far as energy is concerned, people could be induced by the municipal authority to save energy and to use renewable productive resources. Financial incentives could be given for the saving of energy, whereas the municipal authorities could, for example, set up solar panels on every roof (either in the form of a loan, or free for low income groups) that could cover at least part of the community's energy needs.

The same principle could be applied in connection with the provision of services (health, education, social services, etc.) where the use of local productive resources should be maximised, both in order to provide local employment and create local income and, also, to drastically reduce outside dependence. The municipalization of services is particularly important, given that the welfare state is presently under attack by neoliberalism and, effectively, abandoned by social democrats. The solution to the problem of the bureaucratization of the welfare state and the dependence that it creates lies not in its privatisation (that leads to serious inequalities and, in fact, to the abandonment of the poorer sections of the community which will not be able to meet even their basic needs) but in its municipalization. A municipalized welfare system will not only be less prone to bureaucratic structures but will also provide a much more effective mechanism than the state welfare system, as a result of its smaller size, its easier management and the targeted provision of services.

A basic precondition for the increase in local economic self-reliance is the decentralisation of finance. The establishment of a community bank network could therefore contribute significantly to this process. However, the establishment of such a network depends on the Confederal Municipalism movement taking over a number of municipalities. But even before that happens, financial decentralisation can be encouraged. Credit unions, as well as the issue of a local currency, could play an important role in this process.

Municipal *Credit Unions* (i.e., financial co-ops) could be set up to provide loans to their members for their personal and investment needs. One could also imagine the extension of the role of credit unions, so that the savings of members are used for local development and social investment, in other words, for investment in local people to enable them to build up viable employment. This way, credit unions could become the basis on which a community bank network could be built at a later stage.

A *local currency* could play a crucial role in enhancing local economic self-reliance because a local currency makes possible the control of economic activity by the community and, at the same time, could be used as a means for enhancing the income of the community members. The local currency does not replace the national currency but complements it, being freely exchangeable with it. Earlier in the century the Social Credit movement proposed that the right way to create new money is to distribute it to all citizens in the form of a national dividend. Thus, a municipalized local economy could distribute a certain amount of income in local currency to all its needy members, as a kind of basic income, which could then be exchanged with *locally* produced goods and services. Such a scheme could therefore play a useful role in the transition to a voucher system that would replace all currencies in the ecological society (see the last part of this article).

As regards the inter-community steps, the most important policy measure that can be promoted by confederal municipalists is the enhancement of Trade for Mutual Self-Reliance (TMSR) in place of free trade. Free trade that is aggressively promoted today by advanced capitalist countries 'through the "holy triad" of GATT, IMF and the World Bank' has been a basic means of destroying economic self-reliance and integrating every place on earth into the world capitalist market. Today, the satisfaction of even basic needs of the people (food, housing, clothing, etc.), their jobs and their quality of life crucially depend not on their own needs but on "the world market",<sup>18</sup> that is, on the huge multinationals that control it. Furthermore, it may be shown both by theory and by historical experience that when free trade takes place between communities with unequal economic power, it can only result in the domination of the weaker communities by the stronger ones.

On the other hand, TMSR explicitly aims at minimising economic dependence through building up productive capacity (increase in the physical, ecological, social and organisational capital) and/or decreasing necessary consumption (e.g., conservation).<sup>19</sup> The establishment of regional trading blocks of communities, which are at a similar economic level and aim at trade within the context of collective support rather than domination, could be a first step in the process of creating confederations of self-reliant communities. The development and

exchange of information on appropriate technologies, to replace the technologies developed by multinationals, could be much facilitated within such trade blocks. Also, the development of regional currencies would be an important step in the establishment of the economic autonomy of these trading groups. However, steps should be taken so that basic needs are covered, as far as possible, at the community level and that this area of production is increasingly set outside TMSR. In the final phase of this process, as confederations of municipalities replace the present state forms, TMSR would simply be integrated into the confederal democratic planning process.

## **II. Community Ownership of Productive Resources**

The question of ownership refers to who owns and controls the productive resources and should not be confused with the issue of allocation of resources, which refers to the mechanism through which the basic questions of *what*, *how* and *for whom* to produce are answered. The two modern forms of ownership of productive resources are the capitalist and the socialist ones, whereas the two main forms of allocation of resources are the market and the planning mechanisms. Historical experience has provided us with all sorts of combinations between systems of ownership/control and allocation of resources, from state-owned firms within a market system to capitalist firms within a planned economy.

By the same token, the question of ownership should not be confused with the question of control. I do not just refer to the usual argument about the divorce of ownership from control in today's giant stock companies, where shareholders are the owners but actual control is exercised by managers and technocrats. In fact, the famous "divorce" is in this case meaningless since shareholders and managers/technocrats share common motives: to make profits and to reproduce the hierarchy relations that exclude most of the employees from effective decision taking. I also refer here to the case where a firm may be owned by its employees and still be managed and effectively controlled by technocrats, managers and others (e.g., the Mondragon<sup>20</sup> type of workers' co-op). In that case, potentially, there may be a real divorce of interest between those who own the firm (workers) and those who control it (managers, etc.) since, even if profitability is a common aim, hierarchy may not be. This conflict of interest is illustrated by the fact that, as supporters of workers' co-ops put it, "many cooperatives have indeed suffered from mismanagement, primarily due to a lack of discipline with respect to shopfloor workers ignoring management orders."<sup>21</sup>

The capitalist system of ownership implies private ownership of productive resources and is usually associated with a market system of allocating them among various uses. Private ownership of productive resources, irrespective of

whether it is combined with a market system or not, implies a control to serve *particular* interests (of shareholders, managers or workers) rather than the general interest. Furthermore, when private ownership of productive resources is combined with a market allocation of resources, it implies inequality, concentration of political/economic power, unemployment and maldevelopment (inappropriate development). The grow-or-die dynamic that inevitably develops in such a system leads to systematic efforts to conquer nature and, consequently, to ecological damage. Therefore, this system is incompatible not only with economic and political democracy, in the sense we have defined it, but also with any attempt to achieve ecological balance; as such, it is incompatible with an ecological society.

On the other hand, the socialist system of ownership implies a "social ownership" of the means of production. This can take two main forms: a) nationalised enterprises and b) collectivised self-managed enterprises. Both forms of socialist ownership can exist within either the market or the planning system.

In *nationalised enterprises*, a real divorce between ownership and control is introduced: whereas formal ownership belongs to society at large, effective control of production is left to either technocratic elites (in a market system) or to bureaucratic elites (in a planned system) which take all important economic decisions. That implies that in this form of organisation, the pursuit of particular interests is achieved not through ownership but through control. This is true; either such enterprises function within a capitalist market system (in which case they usually do not differ — from the point of view of policy, etc. — from normal capitalist firms) or within a socialist planned system (in which case they are controlled by the party elite, through its control of the state apparatus, within the context of a bureaucratic top-down control). It is therefore obvious that nationalised enterprises are incompatible with economic democracy.

In *collectivised self-managed enterprises*, the ownership belongs, wholly or partially, to the worker/employees of the enterprise. Historically, we meet self-managed enterprises both within a capitalist market system (e.g., the Mondragon co-ops) and within a socialist planned economy (e.g., the Yugoslav self-managed enterprises). 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 community.

Furthermore, 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.). Also, collectivised self-managed enterprises tend to compete with each other for productive resources (natural,

labour, etc.) in a similar way that capitalist firms compete with one another. 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, for the community as a whole. So, these forms of self-management, as Bookchin observes, usually represent "exploitative production with the complicity of the workers" since they cannot guarantee freedom from the tyranny of the factory and rationalised labour.<sup>22</sup> Therefore, collectivised self-managed enterprises are, also, incompatible with economic democracy.

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 community ownership. Confederal municipalism proposes the municipalization of the economy and its management by the community, as part of a politics of public self-management. The municipalization of the economy, therefore, leads to its politicisation, the real synthesis of economy and polity, which can only be achieved. 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 community, through the citizens' assemblies, where people take economic policy decisions as *citizens*, rather than as vocationally oriented groups (workers, technicians, engineers, etc.).

People at the workplace, apart from participating (as citizens) in the community decisions about the overall planning targets, will also participate (as workers, engineers, farmers, etc.) in their respective workplace assemblies, in a process of modifying/implementing the Democratic Plan. In other words, a democratic planning process will be a process of continuous information feedback from community assemblies to workplace assemblies and back again. Finally, it is the workplace assemblies that will appoint a kind of supervisory board to supervise the running of the municipalized enterprise by technocratic personnel. The members of the supervisory board and the technocratic-managerial staff will be recallable at any moment by the workplace assembly, as well as indirectly controlled by the citizens' assemblies. The municipalized enterprises will therefore be functioning on direct democratic principles, and workplace assemblies will determine not only local conditions of work, et cetera, but will also have an important say in the process of democratic planning.

### **The Transition to a Municipalized Economy**

The creation of a municipalized economic sector is a crucial step in the transition to

an ecological society. Therefore, the answer to the economic failure of socialist enterprises is not the neoliberal (with social-democratic connivance) privatisation of them but their municipalization. The establishment of a series of community enterprises that belong to the municipality and are controlled by its citizens (through the community assemblies) in collaboration with the people working in them (through the workplace assemblies) will create local employment opportunities and expand local income under conditions that secure:

- a) democratic participation in the running of these enterprises with no institutionalised hierarchical structures;
- b) security of employment; and
- c) ecological balance.

The two significant questions that arise with respect to the municipalization of the economy in the transitional period are, first, how to establish such municipalized enterprises and, second, how to run them until they become parts of the Confederal Democratic Plan.

As regards the question of establishing municipalized enterprises, this could be achieved by a combination of methods. *Community Land Trusts*, for instance, are a useful way of raising finances for the purchase of land to be held collectively, by using the value of the land itself as security. Such trusts have been used in connection with the community development in Australian aboriginal communities, but also in the UK where a self-planned, self-built settlement was developed in Shropshire.<sup>23</sup>

Another very useful way to establish a municipalized economic sector is to create a *network of local bank co-operatives*, similar, for example, to the very successful Basque network of the *Caja Laboral Popular* in Spain,<sup>24</sup> which supports the Mondragon co-ops. In Spain, this network is not owned by the municipalities and was set up by the people involved in the creation of the co-op movement — a procedure which raises serious objections both as regards the desirability of such a scheme but also as regards its feasibility outside the strongly nationalist Basque community of Mondragon. A more feasible and desirable way may be for the municipalities, which are controlled by the Confederal Municipalism movement, to establish a municipality-owned and controlled bank network. Thus, each municipality could have its own community bank that could be confederated in a regional and later a national network. Such a network could be used:

- a) to absorb local savings that would be attracted to the network by the fact that savers would be able to control the character of its investment activities. This control would be exercised by the community assemblies, in collaboration with the

bank employees' assemblies, that will secure that savings will be channelled to projects aiming at local development, maximisation of local employment, limitation of the environmental effects of production, et cetera;

b) to finance investments in modern production units which have as their goal the local creation of social wealth and the consequent lessening of the local economy's dependence on outside centres. So, the proceeds of local taxation would be used not just for the financing of infrastructure projects and local social services but also for the financing — through the local community banks — of investment in new (or the purchase of old) production units to be included in the municipalized sector of the economy. Most of the initial capital to establish the municipalized enterprises will therefore have to come from the community revenue which, through the community bank network, will be lent to groups of citizens who wish to establish community co-ops; and

c) to offer other specialised services that would allow the establishment and running of these municipalized enterprises by any interested social group in the community, which would not necessarily possess the required specialised knowledge (e.g., workers of bankrupt companies, unemployed, low-wage people, etc.).

The *community bank* could undertake research on the type of production units to be established in the local community. A kind of social investment appraisal and social accounting has to be introduced to evaluate particular investment proposals, to monitor them and generally to evaluate social wealth creation. That means that new economic indicators have to be used, on the basis of the ones already being developed,<sup>25</sup> in place of today's measures of welfare. Finally, the community bank should provide specialised services on planning the production layout, designing the factory, manpower training, accounting systems, et cetera.

As regards the question of how these municipalized enterprises should be run in the transitional period, I think that forms of self-management, like the Yugoslav type of co-op and the Employee Stock Ownership Plan (ESOP) — the former bending towards state socialism and the latter towards market capitalism — should be excluded. In the Yugoslav system of self-management, all capital investment was owned by the state rather than by the enterprise itself. Workers, therefore, had no incentive at all to invest in the capital base of the plant and, as a result, productivity suffered a lot. On the other hand, in ESOP schemes, we have an indirect worker-ownership system, based on an employee pension plan, rather than a worker-democracy scheme (voting, e.g., is based on stock held by employees and not on the democratic one-person-one-vote formula). The whole system therefore results in a perfect capitalist stock company, and the only

difference with the other companies is that this scheme turns workers into share-owning capitalists.

The municipalized enterprises should neither recreate the bureaucratic structure of socialist co-ops nor should they be indistinguishable from capitalist firms. Thus, apart from ownership (which belongs to the local community rather than to the employees themselves or the state), the whole structure and functioning of the enterprises should be different from both capitalist and state socialist firms. There should therefore be as much decentralisation as possible, both to avoid their bureaucratization and to secure as much autonomy as possible for the people working in them, within, of course, the constraints set by the community objectives.

Thus, decentralisation of decision making, within the framework of community-owned but independently run co-ops, is perhaps the best solution. In other words, the community could determine social and ecological targets that the community enterprise would have to achieve (e.g., the proportion of revenue set aside for the achievement of the community's social and ecological goals, ecological standards to be maintained, security of employment, etc.), whereas the enterprise itself could be run like, for example, a Mondragon co-op — with some adjustments that will make its structure more democratic. One possible way to achieve this high degree of decentralisation in decision making would be, for instance, for the community assemblies to lease the municipalized enterprises to employees' collectives.

As regards the management structure in particular, the problem is usually set in terms of a conflict between managerial efficiency and employee democracy. In the Mondragon type of co-op, the emphasis is on efficiency rather than on democracy, with a limited role played by the General Assembly, which elects only one-third of the members of a Supervisory Board that, in turn, elects the managers. The managers effectively run the enterprise. In a modified version, the General Assembly could elect half the members of the Supervisory Board, to express the employees' interest, whereas the other half could be elected by the Community Assembly, to express the general interest of the community. The members of the Supervisory Board should be people with specific knowledge on the type of production activity involved (to be able to effectively supervise the managers) and should be recallable by the respective assemblies. The Supervisory Board would in turn elect and supervise the managerial staff, which would consist of people with specialised knowledge on the line of activity involved. Their authority would therefore originate in their knowledge, which implies that no hierarchical power, other than the influence derived from their knowledge, would be tolerable against the rank and file. Finally, the workplace assembly would determine which decisions would be taken by itself and which ones would be delegated to the Supervisory Board and the managers, so that efficiency and democracy could be in



balance.

However, it should not be forgotten that this type of community enterprise is useful only for a transitional period, until the economy is fully municipalized. This is so because it suffers from a serious drawback: despite the suggested amendments to satisfy the general interest, the very fact that, in a market system, these units have to be competitive in order to survive means that the particular interest of the employees would tend to transcend the general interest of the community. That is why a community spirit is an important precondition for the creation and social functioning of these co-ops; people should therefore be bearers of such a community spirit in order to qualify for membership in the community enterprises. Another important problem with respect to municipalized enterprises is that they may not be able to survive competition, especially from capitalist firms enjoying large economies of scale and significant productivity differentials. I think, however, that this problem will lose a significant part of its importance in a self-reliant economy, where community enterprises direct their production activity mainly to the local market. This is particularly so if we take into account that the social responsibility and satisfaction that self-reliance and democratic control enhance are guarantees of product quality.

It is therefore obvious that for community enterprises to be successful they should be part of a comprehensive program to municipalize the economy — a program that promotes self-reliance and democratic control and therefore the community spirit of citizens.

### **III. Confederal Allocation of Resources**

Although self-reliance implies that many decisions can be taken at the community level, still a lot remains to be resolved at the regional/national/supra-national level. To mention just a few of the problems that cannot be solved at the community level:

- a) problems generated by the unequal distribution of energy supplies, natural resources, et cetera;
- b) problems generated by the supra-local character of the environmental implications of production and consumption;
- c) problems of transportation/communication;
- d) problems of mobility of labour; and
- e) problems of technology transfer.

Apart, however, from the problems of coordination, there is the problem of the mechanism that would secure a fair and efficient allocation of resources both within the community and between communities. The problem is particularly

crucial today as it has become obvious that both mechanisms that were developed historically to deal with this problem, that is, the market mechanism and central planning, have failed miserably. Obviously, a solution to the problem of allocation of resources within the community provides, by implication, a solution to the problem of the confederal allocation of resources.

## The Market Mechanism

The market is an automatic mechanism within which Adam Smith's *invisible hand* allocates resources in a supposedly rational way. As liberals hypothesize, the free combination of individual rational decisions leads to a socially rational allocation. It is further assumed that the market mechanism is the most economical *information system* which provides the correct *incentives* that can secure an efficient decentralisation of resources. The implication of all these hypotheses is that the market mechanism is the best system to guarantee a rational allocation of resources, without compromising the autonomy of each individual.

However, all these hypotheses are valid only under certain very strict assumptions — usually the properties of the market that supposedly result in a rational allocation are lost once the mythical state of *equilibrium* is disturbed. Furthermore, as even orthodox economists, like Keynes, have shown, the market is a crisis-laden system which cannot secure full employment of resources and especially of labour. Also, it is a system that inevitably leads to concentration of economic power and inequality, which is the main cause of *maldevelopment*. In other words, inappropriate development is the by-product of a system where only money-backed wants are covered, which do not necessarily coincide with basic human needs.

Therefore, the freedom of choice that the market system supposedly secures, in reality, means “rationing by the wallet”. In fact, citizens in a market 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 they do not decide what and how to produce. Furthermore, producers are, also, crucially constrained by their purchasing power, as their access to productive resources and, therefore, their productivity depends on their financial ability. If, for example, an Indian farmer has a much lower productivity than an English or American farmer, this is due to the respective access to fertilisers, machines, et cetera,<sup>26</sup> as well as to educational and technological differentials, which are also due to income differentials. However, economic development became a function of the financial ability of producers very recently, that is, when productive resources became available exclusively through the market. As market relations penetrated all sectors of human activity and local self-reliance was destroyed all over the world,

any access to productive resources became a matter of purchasing power. No wonder that today one-fifth of the world population uses up four-fifths of the world's annual resource output.<sup>27</sup>

In a market system, therefore, 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 system, contrary to liberal mythology, is the worst system of allocating resources when purchasing power is unequally distributed because it is exactly when this happens that the fundamental contradiction regarding the market satisfaction of human needs (i.e., the contradiction between the *potential* satisfaction of the basic needs of the whole population versus the *actual* satisfaction of the money-backed wants of part of it) becomes obvious. This is why orthodox economists make the convenient assumption of a "given distribution of income" when they try to show that the best allocation of resources is the one achieved through the market system.<sup>28</sup>

Today, a quarter of the Earth's population is at starvation level.<sup>29</sup> The gap between the North and the South is widening all the time, despite "development" — or rather because of it. The gap between the richer and the poorer countries on earth has doubled between 1960 and 1990, and today the income of the richest 20 percent of the world population is 150 times higher than the income of the poorest 20 percent.<sup>30</sup> However, 200 years ago the rich countries had an average income only 1.5 times that of the poor countries,<sup>31</sup> a fact indicating a strong correlation between, on the one hand, the spreading of market relations and the consequent destruction of self-reliance — a fact that could also be substantiated by the systematic efforts of colonialism — and, on the other hand, today's huge inequality.

But, it is not only between countries that inequality is growing. Inequality within countries has also been growing sharply in the last ten years or so, as a result of the neoliberal policies adopted by governments all over the world.<sup>32</sup> Given, therefore, the "bidding mechanism" of the market described above, the system increasingly caters to the needs of the mid- and high-income groups in the North ("the two-thirds society") and a tiny minority in the South.<sup>33</sup> So, it is through inequality that maldevelopment is produced and reproduced. Furthermore, inequality is a basic cause for the enthusiastic adoption of the eco-destructive growth objective by the elites all over the world, since the aim of trickle-down economics is, exactly, to maintain the social cohesion of a very unequal society through expanding, rather than re-dividing, the "pie". And, of course, the evidence of the past two decades indicates that very little trickle-down has ever taken place.

It has been estimated, for instance (on the basis of growth rates achieved between 1965-84, which are considered to be the best years of capitalism), that it will take over 300 years for the 28 poorest countries to rise from their present per capita average income to just *half* of the *present* average of the rich Western countries.<sup>34</sup>

It is therefore obvious that the market mechanism is incompatible with economic democracy. But what about the various forms of the *social market* that are being put forward today by social democrats in Europe and the Democrats in the USA? First, it should be made clear that these proposals simply aim at restoring a kind of *mixed economy*, in other words, the economy that was seriously undermined by Reaganomics and Thatcherism. Thus, although modern social democrats do not argue anymore in favour of nationalisations and the old welfare state, still, they do emphasise the importance of the state in *designing* markets and in empowering people with respect to covering basic needs like health, education, et cetera.

However, such proposals to enhance the social market are both utopian and incompatible with economic democracy. They are utopian because in today's internationalised economy any enhancement of the social character of the system that takes place in a particular country (or block of countries, like the European Community), through, for example, better working conditions, enforcement of full employment policies, improvement in public health and education, et cetera, will simply make the economy of the particular country (or block of countries) less competitive than other countries or blocks, with detrimental effects to its economy. It is, in other words, the growing global economic interdependence that made Keynesian policies redundant at the national level, so that today any restoration of such policies, at a non-global level, is impossible. Furthermore, these proposals are not compatible with economic democracy because they enhance the role of the state, and of the elites that control the state machine, at the expense of the community.

### **The Central Planning Mechanism**

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. I am not going to deal with *indicative planning*, that is, planning within a capitalist market system (e.g., post-war French planning) that attempts to achieve certain policy objectives, mainly through the provision of incentives to capitalists. What I said about market socialism applies here as well.

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, et cetera, and passed on the orders from top to bottom. Centralised planning, therefore, not only leads to irrationalities (which eventually led to its collapse) and is not effective in covering needs; it is also highly undemocratic. Still, from the viewpoint of reducing economic differences, centralised planning has achieved a better distribution of income (although not a better distribution of power) than for countries at a similar level of development.<sup>35</sup>

Modern Marxists,<sup>36</sup> on the other hand, propose 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 institutionalisation of the privileges of bureaucrats who control the state apparatus will create such powerful interests that it will eventually corrode the organs of self-management, rather than the other way around.

### **Confederal Democratic Planning**

A democratic planning mechanism, therefore, has to be decentralised. Excluding the decentralisation that could be achieved through the market mechanism, the question is, in fact, how we can combine democracy and planning. The non-marxist Left has offered two main models of stateless decentralised planning: a) worker-oriented models and b) community-oriented models. Today, the worker-oriented models cannot provide anymore any meaningful alternative vision of society, not only because such models express only a *particular* interest but, also, because, after the collapse of centralised planning and the steady post-industrial decline of the working class, they have become irrelevant. *Confederal municipalism*, therefore, representing a modern version of community-oriented control that offers, as Howard Hawkins<sup>37</sup> shows, the best framework for integrating workers’ control and community control, may be the only feasible alternative vision of society today that can express the general interest and, at the same time, make social and individual autonomy possible.

However, although the general principles of a community-based form of social organisation are well known,<sup>38</sup> there are a number of important problems that still remain unresolved and cannot just be referred to future social practice, since silence on them puts the feasibility of the whole liberatory project into question. It is these problems that the rest of this paper will try to address in a tentative and rather schematic way.

The major problem in the effort to achieve a synthesis of democracy and planning is that any kind of democratic planning, which is not market-based, has to involve an arbitrary and ineffective way of finding out what future needs will be, a problem particularly crucial for non-basic needs.<sup>39</sup>

A proposal to create an artificial "market" which will secure real freedom of choice within a democratic planning process, without the adverse effects associated with real markets, is described below.

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 presuppose the mythical marxist state of abundance. The basic assumptions on which the model is based are as follows:

- a) the community assembly "the classical Athenian *ecclesia*" (at the municipality or neighborhood level) is the ultimate *policy-making* decision body in each self-reliant community;
- b) communities are coordinated through confederal *administrative* councils of mandated, recallable and rotating delegates;
- c) productive resources belong to each community and are leased to the employees of each production unit for a long-term contract; and
- d) the aim of production is not growth but the satisfaction of the basic needs of the community and those non-basic needs for which members of the community express a desire and are willing to work extra for.

The general criterion for the allocation of resources in an ecological society (that follows from the last assumption) will not be efficiency as defined presently — in pure economic terms of minimising inputs or maximising output. Efficiency should be redefined to obtain a social dimension, that is, to mean effectiveness in satisfying human needs on the basis of the principle of from each according to his/her ability to each according to his/her needs. However, this principle raises further questions relating to the meaning of needs, the existence of any hierarchy of needs and, finally, the question of how real freedom of choice can be secured in the process of needs-satisfaction.

The concept of "relative intensity of needs",<sup>40</sup> as well as the distinction between needs and satisfiers<sup>41</sup> (i.e., the form or the means by which these needs are satisfied) may be useful in discussing the meaning of needs in the context of the planning process. As regards, first, the concept of intensity of needs, it presupposes a hierarchy of needs (basic and non-basic needs), a fact confirmed by

statistical studies on consumption patterns in the West that, also, show a verifiable trend of basic-needs saturation. Apart, however, from the empirical verification of a hierarchy of needs, the distinction between basic and non-basic needs is important in clarifying the meaning of freedom of choice. Freedom of choice is meaningless unless basic needs have already been satisfied. Today's freedom of choice means that a small portion of the Earth's population can satisfy whatever real or imaginary needs they have, drawing on scarce resources and damaging ecosystems, whereas the vast majority of people on the planet cannot even cover their basic needs. As, in a rational society, basic needs have to be provided free to all members of the community, a priority decision that community assemblies will have to take regularly concerns the quantity and quality of satisfiers that satisfy basic needs.

Second, the distinction between needs and satisfiers is useful because it allows us to assume that basic needs are finite, few and classifiable and that, in fact, they are the same in all cultures and all historical periods. Thus, what changes over time and place is the satisfiers and not the needs themselves. It is therefore the people themselves who will have to decide how best to satisfy their needs.

Still, the question remains about the way in which we can secure both needs-satisfaction and freedom of choice of satisfiers. Today, there is, usually, more than one way of producing a good or service that satisfies a human need, even a basic one (types of clothing, etc.).

So, freedom of choice should apply to basic as well as non-basic needs. There are various ways to create information flows about individual needs. One possibility is the combination of a democratic planning process with a system of vouchers that could be used for the satisfaction of both "basic" and "non-basic needs". Thus, we could imagine the creation of a voucher system in which there are two main types of vouchers, "basic" and "non-basic", all of them issued on a personal basis so that they cannot be used, like money, as a general medium of exchange and store of wealth.

**Basic vouchers** are used for the satisfaction of basic needs. These vouchers entitle each citizen to a given form and level of basic needs-satisfaction (determined by the community assembly) but do not specify the particular type of satisfier, so that choice could be secured. Every member of the community, if he/she is able to work, will have to work a "basic" 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 community. The number of basic vouchers that are issued is determined on the basis of criteria which satisfy both demand and supply conditions. Thus, as regards demand, planners could estimate its size and mix, on

the basis of the size of the population and the size of the "basic needs" entitlement for each citizen. As regards supply, planners could estimate, on the basis of technological averages, the production level and mix, the resources needed (i.e., the amount of work that each citizen has to do, etc.). Draft plans could be drawn on the basis of these estimates, and the community assembly could select the plan to be implemented, the implied work assignments (a rotating work system could secure that all necessary work — even the unpleasant — will be carried out), et cetera.

The production units that produce goods and services classified as "basic" by the community assembly are under the direct control of workplace assemblies. However, whereas the type of production undertaken, within the targets set by the plan, is determined by the immediate producers, the level of production and the production mix is determined by citizens' preferences, as expressed by the use of vouchers for each type of product. In other words, production units can claim, from the part of the community resources that is available (according to the plan) for their type of production, a share which is proportional to the vouchers offered to them by the citizens as consumers.

*Non-basic vouchers* are used for the satisfaction of non-basic needs or non-essential consumption. Work by citizens over and above the basic number of hours is *voluntary* and entitles them to non-basic vouchers, which can be used towards the satisfaction of non-essential needs. With technical progress, one could expect that the satisfaction of non-essential needs will become increasingly important in the future and, correspondingly, remuneration will take the form of non-basic vouchers. There is, therefore, a double economic problem with respect to non-basic vouchers. First, we need a fair measure to remunerate non-basic work and, second, such a measure of the value of non-basic goods/services that will secure a balance between their supply and demand. The classical solution of expressing both wages and value of goods in terms of man hours (proposed by Proudhon and Marx among others), apart from the fact that it creates all sorts of problems about equivalence of various types of work, the "conversion" of tools/equipment used into man hours, et cetera, is also fundamentally incompatible with a community-based economy.<sup>42</sup>

I would therefore propose that to avoid these problems and at the same time to achieve a balance of demand and supply that satisfies fairness criteria we should introduce a kind of "rationing values" in order to express the value of non-basic goods/services. The market mechanism, as it 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. What I propose is a reversal of the process, so that *price by rationing* takes place, that is,



prices, instead of being the cause of rationing — as in the market system — become the *effect* of it. Thus, to calculate the “rationing value” (and consequently the price, expressed in terms of a number of non-basic vouchers) of a particular good/service, planners could divide the total of non-basic vouchers that have been issued over a period of time (say, a year) by the total output of that particular good/service in the same time period.

This still leaves the problem of the rate of remuneration for non-basic work, which determines the number of non-basic vouchers a citizen receives for such work. 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>43</sup> that is, to use a “criterion of desirability” for each kind of activity. However, desirability cannot be simply assessed, as Baldelli suggests, by the number of individuals declaring their willingness to undertake each kind of work. Because, given the present state of technology, even if we assume that in a future society most of the high degree of today’s specialisation will disappear, still, many jobs will 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 preferences expressed by students (when choosing a particular field to study), by workers (when choosing a particular type of work for training), by citizens (when selecting a particular type of community work), et cetera. 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, the lower the 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. This way, another “artificial” market is created which, however, in contrast to the real labour market, does not reward work on the basis of the profit that may be derived from it.

Producers of non-basic goods and services adjust at regular intervals their production levels and mix to the number of vouchers they receive (i.e., to demand), provided, of course, that resources are available. So, planners (on the basis of past demand for particular types of non-basic goods, the projections for the future, the aim to achieve ecological balance as well as a balance between supply and demand) could make recommendations to the community assembly about possible targets with respect to available resources, so that the assembly could take an informed decision on a broad allocation of productive resources between various sectors. The plan, as regards non-basic products, is indicative, its main aim being to give an indication of availability of resources to workplace assemblies in

deciding their own production plans so that serious imbalances between supply and demand, as well as ecological imbalances, could be averted. The actual allocation between production units will be on the basis of the demand for their products (shown by the non-basic vouchers offered to each unit for its product) and will be effected directly between production units, and not through a central bureaucratic mechanism.

Finally, producers of intermediate goods (equipment, etc.), which are needed for the production of basic and non-basic goods, produce a product mix which is determined "by order"; that is, production units of final goods place orders with producers of intermediate goods on the basis of the demand for their own products and the targets of the plan. So, the community plan should also include targets about intermediate goods as well as decisions about the crucial question of resource allocation through time (resources to be devoted for community investment on infrastructure, for community research and development, etc.).

This way, production reflects real demand, and communities do not have to suffer all the irrationalities of the capitalist market system or the socialist central planning I mentioned above. Some inequality may still persist under the proposed system, but it 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 inequality 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 community.

These artificial "markets" offer, therefore, 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, either an authoritarian one (decided by an elite of bureaucrats and technocrats), or even a democratic one (decided by an "oppressive majority" in the community assembly).

Given that self-reliance implies not only an economic but also a physical decentralisation of production into smaller units, as well as a vertical integration of stages of production that modern production (geared to the global market, instead of the bioregion) has destroyed, the problem of balancing demand and supply, through a system like the one suggested here, in fact, is not as difficult as it looks.

However, as self-reliance does not imply self-sufficiency, despite the decentralisation, a significant amount of resources will still have to be “imported” from other communities in the confederation. Also, a surplus of various types of resources will inevitably be created that may be available for “export” to the other communities. These “exchanges” could, also, take place on the basis of vouchers, calculated on the same basis as above. The confederal plan will therefore look like an “expanded community plan” and will further include all the co-ordinating decisions, mentioned above, that cannot be taken at the community level.

### **The Transition to a Confederal Allocation of Resources**

An explicit part of the confederal municipalist program should be the elaboration of the overall objective to create a different form of social organisation, based on participatory democracy, to replace the present oligarchic structure — at both the national and the local level of “politics”. This implies that confederal municipalism should be fought for not just as a kind of new politics but as the political structure itself for an ecological society. Therefore, the community level is the only political level at which confederal municipalists should develop their political activity. This is necessary in order to establish the vital consistency<sup>44</sup> that should exist between ends (an ecological society based on confederated municipalities) and means (participation in municipalist politics to create a new political and economic structure). Once a new political structure has been created in a number of municipalities, then the growing change in the balance of power against statism and corporate capitalism will create the preconditions for a change in the economic structure as well.

The economic program for a transition to an ecological society, starting from demands that mobilise people around their immediate concerns, should have the following basic aims:

- a) to develop an alternative consciousness to the present one, as regards methods of solving the economic and ecological problems in a democratic way. It should therefore connect today's economic and ecological crisis to the present socio-economic system and the need to replace it with a political and economic face-to-face democracy based on confederated self-reliant municipalities; and
- b) to make proposals on how to start building the economic institutions themselves that would lead to an ecological society. It should therefore propose measures that could lead both to greater economic self-reliance and to democratic procedures in taking decisions affecting the economic life of the people in the community.

As regards (a), that is, the aim of creating an alternative consciousness, it should be shown that problems like unemployment, poverty and work alienation as well as poor quality of life, pollution and environmental destruction are all connected to an economic system based on the concentration of political and economic power in the hands of elites that represent a very small proportion of the population. Also, the basic institutions on which this system is founded should be specified in terms of:

- the market allocation of resources, which leads to inequality and maldevelopment as well as to unemployment, poverty and ecological destruction;
- the private ownership of productive resources, which does not allow any economic democracy to flourish but instead leads to economic and political oligarchy, the alienation of the vast majority of people with respect to their jobs, as well as the perpetuation of inequality; and
- the hierarchical organisation of society, both at the “macro” level (state) and the “micro” level (hierarchical relations at work, family, school, etc.) — an organisation which, in turn, is based on an institutionalised division of labour.

As regards (b), that is, the aim of building alternative economic institutions leading to economic democracy, the taking over by a radical green movement of several municipalities could create the conditions for:

- the drastic increase of the community's economic self-reliance;
- the setting up of a municipalized economic sector; and
- the creation of a democratic mechanism to make economic decisions affecting the municipalized sector of the community, as well as decisions affecting the life of the community as a whole (local taxes, local spending, etc.). Thus, community assemblies (or neighbourhood assemblies, in big cities, confederated into community assemblies) could be empowered to make decisions affecting the economic life of the community, which would then be implemented by the Town Council or other relevant body.

However, for any democratic mechanism to be significant and to attract citizens in the decision-taking process, it is presupposed that the decisions themselves are important. It is therefore crucial that during the transition to an ecological society the municipality will be empowered with significant powers that will convert it into a coherent system of local taxation, spending and finance. This means that the financial autonomy of the local economy is a necessary condition for its municipalization. This implies a significant shift of the tax burden from the national to the local level.

The shift of most of the tax burden to the local level will give the opportunity to community members to have effective power over taxation, in contrast to today's state of affairs when citizens supposedly have the power, every four years or so, to change the party in government and its tax policies but, in effect, they are given neither any real choice nor any way of imposing their will on professional politicians. The economic programs of national parties are expressed, anyway, in such broad and usually abstract terms that they do not commit politicians to anything concrete. Furthermore, as regards the spending of money collected by taxation, or borrowing, people have no power at all to decide its allocation among different uses.

Community assemblies could, at annual intervals, meet and discuss various proposals about the level of taxation for the year to come, in relation to the way the money collected by the municipality should be spent. A new tax system could be introduced to satisfy the principle of social justice as well as the principle of environmental protection. Therefore, a certain shift in the tax burden should take place, away from taxing income and towards taxing wealth, the occupation of land, the use of energy and resources, as well as activities creating environmental and social costs for the community. The tax system could be accompanied by a *basic income scheme* that secures a basic income to every member of the community and will replace the existing social benefits. So, the combined effect of the tax system and the basic income scheme will be to redistribute economic power within the community, as a first step towards economic democracy.

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<sup>1</sup> Takis Fotopoulos, *Society and Nature*, Vol. 1, No. 2 (Sept. 1992), pp. 1-31.

<sup>2</sup> Arne Naess, "Deep Ecology and Ultimate Premises," *Society and Nature*, Vol. 1, No. 2 (Sept. 1992), pp. 108-19.

<sup>3</sup> Murray Bookchin, *The Ecology of Freedom*, Ch. 7 (Montréal: Black Rose Books, 1991).

<sup>4</sup> In Britain, the percentage of shareholders in the population had increased from 7 percent in 1979 to 21 percent in 1988, when the massive privatisation program of the Thatcher government had almost been completed. Still, the percentage of shares held by the personal sector (as against the corporate sector) had fallen from 28 percent in 1981 to 20 percent in 1988; C. Johnson, *The Economy Under Mrs. Thatcher* (NY: Penguin, 1991), pp. 168-69.

<sup>5</sup> See, e.g., the article of Robin Blackburn, editor of the once radical *New Left Review*, that now advocates a "socialised market"; R. Blackburn, "Fin de Siècle: Socialism After the Crash," *New Left Review* (Jan./Feb. 1991), pp. 5-68.

<sup>6</sup> See, for instance, M. A. Lutz & K. Lux, *Humanistic Economics* (NY: Bootstrap, 1988), Ch. 12; C. George Benello et al., *Building Sustainable Communities* (NY: Bootstrap, 1989), Chs. 18-20.

<sup>7</sup> Murray Bookchin defines community as "a municipal association of people reinforced by its own economic power, its own institutionalization of the grass roots, and the confederal support of nearby communities organized into a territorial network on a local and regional scale"; Murray Bookchin, *Urbanization Without Cities* (Montréal: Black Rose Books, 1992), p.

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<sup>8</sup> Murray Bookchin, *Urbanization Without Cities*, p. 249.

<sup>9</sup> See, e.g., the work of G. Hodgson, *The Democratic Economy* (Gretna, LA: Pelican, 1984); *Economics and Institutions* (Cambridge: Cambridge University Press, 1988); and *Rethinking Economics* (Edward Elgar, 1992).

<sup>10</sup> Michael Taylor, *Community, Anarchy, and Liberty* (Cambridge: Cambridge University Press, 1982), pp. 26-32.

<sup>11</sup> Michael Taylor also shows conclusively why the liberal arguments of the "anarcho-capitalist school" (F. Hayek, R. Nozick and others), that no equality would survive for long without state interference, are logically and historically invalid and that, in fact, community is a necessary condition for the maintenance of an approximate equality; Michael Taylor, *Community, Anarchy, and Liberty*, pp. 95-104.

<sup>12</sup> See Murray Bookchin's *Urbanization Without Cities*, Ch. 8; "Libertarian Municipalism," *Society and Nature*, Vol. 1, No. 1 (May 1992), pp. 93-105; and "The Meaning of Confederalism" (in this issue).

<sup>13</sup> The 1974 Cocoyoc Declaration of non-aligned countries provides a useful definition of self-reliance as "reliance primarily on one's own resources, human and natural, and the capacity of autonomous goal-setting and decision-making," quoted in Paul Ekins, *Trade for Mutual Self-reliance* (TOES publication, 1989), p. 13.

<sup>14</sup> See, e.g. Paul Ekins, *Trade for Mutual Self-reliance*, p. 9

<sup>15</sup> For an examination of this topic from a radical green economics viewpoint, see, e.g., Paul Ekins, *Local Economic Self-reliance* (TOES publication, 1988).

<sup>16</sup> In 1990-91, 27 out of 45 countries with less than 500,000 population and 9 out of 13 with less than 100,000 belonged to this category; *Britannica World Data*, 1992.

<sup>17</sup> There is significant literature on local economic self-reliance which can provide valuable clues for the steps to be taken in a transitional phase towards the ecological society. I would mention, indicatively, the significant works on the subject by James Robertson see, e.g., his article "Economics of Local Recovery" in *Society and Nature*, Vol. 1, No. 1 (May 1992), pp. 145-74, and his book *Future Wealth* (Cassell, 1990), Ch. 5; Paul Ekins see, e.g., the TOES papers mentioned above; Johan Galtung see his contribution in *The Living Economy*, Paul Ekins, ed. (NY: Routledge & Kegan Paul, 1986), pp. 97-109 and C. George Benello et al. see, *Building Sustainable Communities*.

<sup>18</sup> Indicative of this trend is the fact that the export proportion of world income almost doubled between 1965 and 1990; *World Development Report 1992* (World Bank), table 9.

<sup>19</sup> See, for further development, Paul Ekins, *Trade for Mutual Self-reliance*, pp. 23-31.

<sup>20</sup> M. A. Lutz & K. Lux, *Humanistic Economics*, Ch. 12.

<sup>21</sup> M. A. Lutz & K. Lux, *Humanistic Economics*, p. 258.

<sup>22</sup> Murray Bookchin, "Municipalization: Community Ownership of the Economy," *Green Perspectives* (Feb. 1986).

<sup>23</sup> See C. George Benello et al., *Building Sustainable Communities*, Part I, for further development of the Community Land Trusts.

<sup>24</sup> See M. A. Lutz & K. Lux, *Humanistic Economics*, pp. 263-68.

<sup>25</sup> See, e.g., V. Anderson's *Alternative Economic Indicators* (NY: Routledge & Kegan Paul, 1991).

<sup>26</sup> The Americans use more fertilisers for their gardens and tennis lawns than the Indians for all uses; *New York Times* (14 June 1979).

<sup>27</sup> Ted Trainer, *Developed to Death* (London: Greenprint, 1989), p. 118.

<sup>28</sup> The famous analysis of Pareto optimality, which shows the potential of the market

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mechanism to secure an optimal allocation of resources, is based on acceptance of the prevailing income distribution.

<sup>29</sup> Despite the neo-Malthusian thesis (adopted by some eco-fascist currents within the green movement), which lays the blame of the South's poverty on its overpopulation, today it is almost generally accepted that overpopulation is the effect rather than the cause of poverty. According, for instance, to Julian Simon, there is not much evidence that the rise in population makes countries poorer (*US National Academy of Sciences Report*, 1986). Also, according to another report, the most successful population control programs in the last 25 years have been those that aimed at the decrease in poverty. *The Guardian* (29 April 1992).

<sup>30</sup> *United Nations Development Program* (UN, 1992).

<sup>31</sup> McGowan & Kurdan, "Imperialism in World System Perspective," *International Studies Quarterly* (March 1981), pp. 43-68. According to another estimate, the divergence between per capita income of rich and poor countries was about 1:6 in 1900, and by 1970 it had risen to about 1:13; P. Bairoch, *The Economic Development of the Third World Since 1900* (Methuen, 1975), pp. 190-92.

<sup>32</sup> In the UK, the income of the richest 10 percent of the population was 10 times higher than the income of the poorest 10 percent in 1967-1978, but by 1988 their income was 18 times higher; S. Jenkins, University of Bath, Centre for Fiscal Studies, *The Guardian* (15 May 1991). Similarly, in the USA the 1 percent of families at the top increased their income by 75 percent between 1979 and 1989, whereas the 20 percent at the bottom had their income reduced by 4 percent; Eric Hobsbawm, *The Guardian* (30 Nov. 1991).

<sup>33</sup> Indicatively, 10 percent of the population in the poorest countries of the South take more than 33 percent of the total income; Ted Trainer, *Developed to Death*, p. 9. Also, one-fifth of the population in the South generally receives, on the average, almost half the total income; *World Development Report 1992* (World Bank), Table 30.

<sup>34</sup> Ted Trainer, *Developed to Death*, p. 39.

<sup>35</sup> M. Ellman, *Socialist Planning* (Cambridge: Cambridge University Press, 1979), pp. 267-68

<sup>36</sup> See, e.g., E. Mandel, "In Defence of Socialist Planning," *New Left Review* (Sept./Oct. 1986), pp. 5-39.

<sup>37</sup> See Howard Hawkins, "Community Control, Workers' Control and the Cooperative Commonwealth" (in this issue).

<sup>38</sup> See, for references, Howard Hawkins, "Community Control" (in this issue), Note 7.

<sup>39</sup> The notion suggested by marxist supporters of democratic central planning that people's needs can be discovered very easily "just by asking them what they want," in fact, "flies in the face of decades of evidence both from East European planners and from marketing experience in the West"; P. Auerbach et al., "The Transition From Actually Existing Capitalism," *New Left Review* (July/August 1988), p. 78.

<sup>40</sup> E. Mandel, "In Defence of Socialist Planning," pp. 14-15.

<sup>41</sup> M. Max-Neef in Paul Ekins, ed., *The Living Economy* (NY: Routledge & Kegan Paul, 1986), pp. 49-50.

<sup>42</sup> See, for a powerful critique of the classical solution, Peter Kropotkin, *The Conquest of Bread* (NY: Penguin, 1972), Ch. 13.

<sup>43</sup> Giovanni Baldelli, *Social Anarchism* (NY: Penguin, 1972), pp. 144-45.

<sup>44</sup> The distinction that Howard Hawkins [*The Greens Bulletin* (April 1992), pp. 27-30] makes between running for national elections (just to educate) and running for local elections (to educate and win in order to implement the confederal municipalist program) introduces a double inconsistency: first, an inconsistency between the end of an ecological society and the means to achieve it, which, at least, could result in confusion about the real nature of the

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movement; second, an inconsistency between the true nature of running for a statist office, which is a process that incorporates the logic of a different social system ("I am running in order to use my office and solve your problems") and the educational nature assigned to it by Hawkins "I am running not to hold office"), an inconsistency which could not only marginalise the candidates as irrelevant to the election process, but could also give endless material to cartoonists in the mass media.