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Challenging the Presumption in Favor of Markets

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Abstract

There is a pervasive presumption in the literature on political economy that substantial use of competitive markets is appropriate and necessary for organizing economic activity. Markets, however, are undemocratic, inefficient, and incentivize anti-social behavior. These shortcomings are often minimized or accepted as necessary evils because of the belief that there is no alternative to market structures. This belief is mistaken. Sophisticated alternative models of economic organization, such as participatory economics, have been proposed which are substantially more consistent with important social values. We contend that in light of these alternatives, the presumption in favor of markets should be reversed and market proponents should carry the burden of proof of demonstrating why, given their numerous shortcomings, markets should continue to occupy a privileged position as the default mode of economic organization.

JEL classification: A13, L10, P16

Keywords

market structure, democracy, participatory economics

1. Introduction

A dogmatic assumption has pervaded the philosophic literature on social justice and political economy for at least a generation now. From free market fundamentalists like Milton Friedman to liberal icons like John Rawls it is considered an entirely ineluctable truth that the substantial use of markets is an appropriate and necessary means by which to allocate goods and services, as well as determine prices within an economy. In light of the failure of Soviet-style command economies, markets currently occupy a privileged position for most contemporary thinkers. Conservative thinkers tend to favor markets that are as free as possible, that is have the fewest restrictions on economic activity, whereas liberal thinkers advocate effective regulation. Both ends of the political spectrum, however disparate and antithetical, accept the underlying assumption that market arrangements are the most appropriate system for achieving the economic and social goals of human societies.

In this paper we want to (i) point out the pervasive nature of a certain way of thinking about markets in the philosophic literature on political economy, (ii) show that this assumption is

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problematic, and (iii) argue that because of the problematic nature of this assumption the burden of proof in arguments about markets as the proper mode of economic organization should be shifted. For quite some time it has been incumbent on critics of markets to prove to market proponents that markets should be rejected. However, given that markets have some not insignificant problems, and that there are alternate models of economic organization more consistent with democratic values, the burden of proof should be, and should have been all along, with the market advocates. The problems that markets have are neither so marginal nor so easily remedied that they can be written off as more than compensated for by the "efficiency" they offer. If then there are other models of economic organization which are institutionally more congruent with important democratic values, the presumption should be against using markets, rather than for using them.[1]

2. The TINA Problem

Margaret Thatcher made famous the phrase "there is no alternative," or TINA, during her reign as British prime minister. The phrase reflects the belief that a market structure is the only way to organize the production, consumption, and allocation of goods and services. This belief has come to hold a dominant position not only in politics but also in the literature on political philosophy and political economy. As a result, a consensus seems to have emerged over the past thirty to forty years within the philosophical literature concerning social justice and political economy that the debate over what form the economy should take is ultimately limited to a choice between some form of market socialism or a modified, i.e. ideally regulated, capitalist market system. This forced dichotomization of acceptable forms of political economy is both fallacious and highly problematic. This in turn has led the philosophic literature to put the burden of proof in this debate on the wrong party, that is on the market's critics rather than on its proponents.

To get a sense of just how wide-spread and pervasive this assumption is it will be worthwhile to take a sample of surprisingly similar quotes from a diverse collection of authors. Political philosopher Andrew Levine, for instance, has written that: "with central planning in disrepute, there appears to be no satisfactory alternative to market mechanisms."[2] Charles Lindblom agrees, and writes that despite the shortcomings of the competitive market "its elimination may pose more obstacles to a fuller democracy than does its continuing imprisoning of policy making."[3] Harry Eckstein similarly writes that "liberal democracies are associated with (perhaps require) market economies. This statement may seem a truism, in that a monolithic command economy can hardly be conducted by democratic means."[4] Robert Dahl has also stated that the command economy is the only alternative to market arrangements, but because no government is up to the task "the coordination and control provided by markets is necessary."[5] The Russian economic historian Alexander Nove put this idea concisely when he wrote: "in a complex industrial

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[1]At least as regards the employment of markets for land, labor, and capital. These three markets in particular have been claimed to be central to the modern capitalist mode of production by thinkers like Karl Polanyi. See *The Great Transformation*, 1944.

[2]Andrew Levine, *Rethinking Liberal Equality: From a 'Utopian' Point of View* (Cornell University Press, 1998: 45).

[3]Charles Lindblom, The Market as Prison, in *Philosophy and Democracy* (Oxford University Press, 2003: 281).

[4]Harry Eckstein, Russia and the Conditions of Democracy, in *Can Democracy Take Root in Post Soviet Russia?* (Rowman & Littlefield Press, 1998: 363).

[5]Dahl, Why Market-Capitalism Favors Democracy, in *On Democracy* (Yale University Press, 1998: 168-9).

economy the interrelations between its parts can be based in principle either on freely chosen negotiated contracts . . . or on a system of binding instructions from planning offices. There is no third way."[6]

Several developments have conspired to bolster the seeming credibility of TINA arguments. First, the collapse of the Soviet state system signaled to many that communism was a failure, and that as a result the very notion of a non-market based economic system was *ipso facto* discredited in perpetuity. Many have come to identify all non-market economies with Soviet communism and its command economy. Conceiving of socialism as necessarily a kind of monolithic totalitarian regime more akin to an Orwellian hell than a Marxian utopia further entrenched the idea that market capitalist systems are unavoidable for human society. If, as the reasoning goes, any form of non-market economy will be a duplicate of the U.S.S.R and the Soviet system collapse, then, because of that failure, there are no other alternatives and thus markets must be employed in our economy.

The problems with this argument are obvious at first inspection. In the first place it is surely not the case that any and all forms of non-market economies will resemble the U.S.S.R's command economy. Nearly all anti-market thinkers denounce the Soviet Union as a failure and reject its rigidly hierarchical model of state controlled planning as inefficient and unjust. There are other non-market based economic models that do not fall prey to these obvious and unwanted shortcomings. Nonetheless, this form of TINA argument and its accompanying false dichotomy between markets and Soviet-style command economies have come to be widely accepted in political philosophy over the last generation.

Second, Rawls's work provided liberal defenders of markets a reasonable philosophic platform that lent further credence to the notion that markets were the only way for human societies to organize allocation. In *A Theory of Justice* Rawls appears to endorse precisely the TINA argument that we have claimed lies at the heart of the false dichotomy narrowing the scope of debate about potential modes of political economic organization. In *Justice as Fairness* Rawls goes through a process of whittling down our options with regard to political economic organization and explicitly makes the mistake mentioned above. Specifically, Rawls proposes five candidates for possible political economic arrangements: (a) laissez-faire capitalism, (b) welfare-state capitalism, (c) state socialism with command economy, (d) property-owning democracy, and (e) liberal (democratic) socialism.[7] If one endorses, and there is ample reason why one ought to, the two principles of justice then (a), (b), and (c) will have to be rejected because they are mutually inconsistent with the principles of justice. In the first case (a) "secures only formal equality, and rejects both the fair value of equal political liberties and fair equality of opportunity," while in the second case (b) "also rejects the fair value of political liberties."[8] Third, (c) is the model condemned by the historical failure of the Soviet Union, and is in Rawls's view one that "violates the equal basic rights and liberties, not to mention the fair value of these liberties."[9]

By elimination then, Rawls comes to the view that there are really only two legitimate candidates capable of satisfying his two principles of justice, i.e. property-owning democracy and liberal socialism. The choice between these latter two (d) and (e) being an open question according to Rawls's view, the actual choice is left to be determined by the specific historical circumstances of the society making the decision. Rawls's two options are both market based views of political economy, and so he is still guilty of rejecting the idea that we could do without markets entirely. In fact in *Theory* he claims, "*All* regimes will normally use the market to ration out the

[6]Alexander Nove, quoted in *The Political Economy of Participatory Economics,* Robin Hahnel and Michael Albert: 57.
[7]John Rawls, *Justice as Fairness* (2001: 136).
[8]*Ibid*.: 137.
[9]*Ibid*.: 138.

consumption goods actually produced. *Any* other devices will be resorted to only in special cases" [emphasis added].[10] The employment of markets as the presumptive tool for organizing substantial economic activity is the constant feature of both the ideal capitalist and ideal socialist regimes envisioned by Rawls. It is this "Rawlsian presumption" in favor of markets as the default mechanism for organizing most economic activity that has become so pervasively accepted in the literature. It has not only served as the cornerstone for the spread of neoliberal economics but is seen as the default tool for organizing a substantial portion of economic activity even in democratic Scandinavian socialist economies. The result has been a sweeping presumption in favor of markets, a tendency to minimize their problems, and the erection of a strong burden of proof against alternatives such as democratic planning and participatory economics that attempt to challenge this presumption. In the next section we look at a number of reasons why this is highly problematic.

3. Why Markets Are Problematic

In the last section we saw that the TINA assumption is pervasive in the literature. In this section we offer reasons to think that this assumption is problematic economically as well as morally. The privileged status of markets is undercut in two primary ways. First, markets have practical shortcomings which lead to allocational and pricing inefficiencies and produce socially destructive outcomes. These shortcomings include: (i) markets' failure to internalize externalities; (ii) markets' underproduction of public goods; (iii) markets' creation and exacerbation of inequalities; and (iv) markets' inability to function under idealized conditions in the real world. Second, even assuming *arguendo* that these practical shortcomings can be corrected for by political oversight, markets still have features intrinsic to their very structure that encourage anti-social competitive behaviors that undermine solidarity, equality, self-management, and erode democracy. Accepting the TINA assumption means that we will be stuck with these problems, many of which only get worse over time.

3.1 What Markets Do Well

Before addressing the two categories of problems referenced above, it is important to acknowledge that competitive markets certainly do many things quite well. Markets are dynamic structures that have proven to be capable of generating rapid innovations in technology. Additionally, markets are adaptable to changing consumer demands and they tend to be responsive to the diverse desires within pluralistic populations. Markets are also capable of facilitating startling growth and are considered to provide strong incentives to motivate individuals to exert their energies and talents within an economy.

Moreover, markets are capable of functioning with a high degree of autonomy, minimizing the need for government supervision and oversight of day-to-day economic decisions and processes. Samuel Bowles has pointed out that, "the beauty of the market, some would say" is that "it works well even if people are indifferent toward one another, nor does it require complex communication or even trust among its participants" to function.[11] The competitive market structures the economy in such a way that, in theory, individuals can pursue their own self-interest, and in so doing the economy and society as a whole will benefit. This reflects Adam Smith's foundational claim that "by pursuing his own interest [man] frequently promotes that of the society more effectually than

[10] John Rawls, *A Theory of Justice* (1971: 239).
[11] Hahnel, 2002: 178.

when he really intends to promote it."[12] The market in this sense is considered to function as an invisible hand that guides self-interested behavior in a way that is socially beneficial. The market, therefore, is considered to be highly efficient in comparison to more cumbersome alternatives of economic organization. In addition it should be noted that most modern markets do not function in a vacuum, but instead function as mixed markets within the context of political systems that regulate them and attempt to smooth over rough edges.

It is not surprising, considering the numerous advantages outlined above, that markets have become the *de facto* means of allocating goods and services throughout the world with virtually every significant industrial nation utilizing some version of the competitive market. All things being equal, therefore, markets would appear to be an exceptional way to organize allocation and pricing that should be wholeheartedly embraced over alternative non-market models. All things, however, are not equal because closer examination reveals significant practical and moral problems with markets.

3.2 Practical Inefficiencies of Markets

Markets suffer from several practical problems that undermine their perceived efficiency.

3.2.1 Externalities. A significant and widely acknowledged failure of markets is their inherent tendency to encourage the externalizing of costs. An externality "is a situation in which the private costs or benefits to the producers or purchasers of a good or service differs from the total social costs or benefits entailed in its production and consumption."[13] Externalities of either the "positive" or the "negative" sort create a problem for the effective functioning of the market to maximize the total utility of the society.[14] This is the case because the "external" portions of the costs and benefits of producing a good are not factored into its supply and demand functions because rational profit-maximizing buyers and sellers do not take into account costs and benefits they do not have to bear. Thus, a portion of the costs or benefits will not be reflected in determining the market equilibrium prices and quantities of the good involved. As a result the price of the good or service producing the externality will tend to reflect the marginal personal cost to the producer and the marginal personal utility to the purchaser, rather than the marginal social cost of production and the marginal social utility of consumption.[15]

As economist Robin Hahnel has described the problem: "when buyers or sellers promote their private interests by externalizing costs onto those not party to the market exchange, or internalizing benefits from third parties without compensation, their behavior introduces inefficiencies that lead to a misallocation of productive resources."[16]

A traditional example of an externality is the external cost associated with pollution. For instance, excluding all costs but the private costs incurred by the buyer and seller of a large SUV greatly enlarges the benefits to those private parties by externalizing the costs of smog, noise pollution, traffic congestion, and greenhouse gas emissions by passing them on to the public. Under normal market conditions, therefore, a non-optimal overproduction of SUVs will occur from the point of view of society as a whole. Moreover, because of the high transaction cost and

[12] Adam Smith, *Wealth of Nations*, book I, ch. 2 (1776).

[13] Paul M. Johnson, A Glossary of Political Economy Terms. Available at: http://www.auburn.edu/ ~johnspm/gloss/externality.

[14] *Ibid*.

[15] *Ibid*.

[16] Robin Hahnel, *Economic Justice and Democracy: From Competition to Cooperation*, 2005: 86.

free rider problems associated with organizing a diffuse group of affected individuals, it will be extremely difficult for the public to organize against this overproduction.[17]

Certainly in a competitive market system a company, call it Company A, could attempt to act against market incentives and adjust their prices and practices to reflect externalities and true social costs. Doing so, however, would be considered irrational economic behavior and Company A would be forced to compete against companies who do not act responsibly, and would thus be able to gain competitive advantage against Company A through lower production costs. This would allow the irresponsible company to undersell Company A and presumably drive them out of business, in effect punishing them for attempting to act in a socially conscious way.

Liberal supporters of markets are quick to respond that governments can correct for this market failure by accounting for externalities through taxes, fees, or penalties. While this is certainly true, and may go some way toward ameliorating the negative consequences of the externalities problem, externalities are generally not so easy to correct for politically. As commentators like E. K. Hunt have pointed out, "externalities are totally pervasive . . . the vast majority of productive and consumptive acts are social, i.e. to some degree they involve more than one person."[18] Thus, it seems to fair to say the misallocation and mis-pricing due to externalities is the rule rather than the exception in market systems. This makes it extraordinarily difficult for a political body supervising the economy to properly account for all the relevant externalities associated with any given transaction and, after the fact, correct for prices that were set incorrectly to begin with. Moreover, those who benefit financially from externalities tend to gain disproportionate bargaining power that often results in yielding them disproportionate political influence. This state of affairs significantly weakens claims about the superior efficiency of the market.[19]

3.2.2 Public Goods. A second widely acknowledged failure of markets is their underproduction of public goods. Unlike public goods, private goods, such as an ice cream cone, involve exclusivity and rivalry. If you want to eat your ice cream cone, you can exclude us from its delicious benefits. Public goods, by contrast, have the properties of non-exclusivity and non-rivalry. When the government takes steps to reduce regional air pollution, for example, people living in that region will benefit from these efforts whether they have paid for it or not; there is no way to exclude them from its benefits. Non-rival goods are goods for which benefits can be provided to additional users at zero marginal social cost. The problem with public goods is that they encourage "free riding." If other people paid for the reduction of air pollution, and if we could not be excluded from the benefits of these efforts, why would we be prepared to pay for it on the open market? Thus, markets will tend to under-allocate resources to public goods.

Again consumers and producers can act against market incentives by consuming and producing to benefit the public good. For instance, consumers could purchase more expensive "green" products that will produce the public good of reducing pollution, just as factories could use more expensive, but environmentally friendly, energy sources. The problem is that markets often discourage this behavior by placing obstacles, in the form of extra costs, in the way of acting in a socially responsible manner, while simultaneously making it easy to purchase or produce cheap but environmentally harmful products. Thus, acting in a socially responsible manner will often place consumers and producers at competitive disadvantages. As Robin Hahnel points out:

> [m]arket incentives are perverse, [they] lead people to consume less "green" and more "dirty" than is socially efficient. The extent to which people ignore the perverse market incentives and act on the basis of concern for the environment, concern for others . . . is

[17] Albert, 2004: 74-75.

[18] Hunt, E. K., On Lemmings and Other Acquisitive Articles, *Journal of Economics*, June (1973).

[19] Hahnel, 2002: 92-93.

important for the environment . . . but it does not make the market incentives any less perverse.[20]

Certainly, situations can arise in which market incentives happen to align with socially beneficial ends. The current energy crisis in the United States, for instance, has created a context in which it is in the competitive interest of private entrepreneurs to develop alternative sources of energy. Similarly, the demand for eco-tourism can encourage private companies to preserve ecosystems and protect endangered species. The problem is that markets are entirely indifferent as to whether it is encouraging socially beneficial or socially harmful behavior. If devastating that same ecosystem will reduce production costs for a company and give it a competitive advantage over a competitor, the market encourages the company to do so despite harm to the public.

The market, therefore, systematically encourages anti-social and environmentally damaging behavior, while simultaneously disencouraging socially minded economic decisions that benefit the public good. Under this perverse system someone is actually considered to be an irrational *homo economicus* if they take others' well-being into account. Thus, governments are once again required to step in to attempt to ameliorate the negative results of markets and to attempt to compensate for their underproduction of public goods vital to political democracy.

3.2.3 Markets Subvert Equity. Markets, simply stated, subvert equity. As Joseph Stiglitz puts it, "even if all the conditions of the basic competitive model were satisfied, this would only mean that the economy was efficient. The resulting distribution of income might still be totally unacceptable."[21] The goal of a competitive market is efficiency, not equity, and the latter is often sacrificed in the name of the former. As the prominent Yale economist and political scientist John Roemer has pointed out, unequal outcomes can occur simply through the exchange of goods in competitive markets when people start with different initial stocks of goods. Robin Hahnel elaborates on this point when he writes: "if those who are initially better off capture a higher percentage of the increased economic efficiency that results from exchange than those who are worse off, although exchange will be voluntary and mutually beneficial, it will also increase the degree of inequality in the economy."[22]

In a laissez-faire competitive system, these inequities can take the form of the shocking inequality that ran rampant during the industrial revolutions in England and America in which the multitude of workers barely eked out a living wage while the owners of factories made millions. Even in today's more heavily regulated American market economy, a single individual such as Bill Gates can amass more wealth than hundreds of thousands of working class families combined.[23]

However, even in a public enterprise, or more ideally regulated private enterprise, economy in which the government takes steps to ensure an equitable distribution of income, the use of the market still leads to inequitable and anti-social results. This is the case because in a labor market, wages are still determined by supply and demand. The government can institute minimum wage laws and progressive tax rates to ameliorate the worst effects of the market and ensure a more equitable distribution of income, however the system will not be truly equitable because as Michael Albert explains, "markets . . . permit those with greater abilities to reap greater economic reward than those of lesser abilities even when those of greater abilities exert less effort and sacrifice."[24] As will be elaborated in more detail in section 4, we believe that this is not

[20]Hahnel, 2002: 91.

[21]Joseph Stiglitz, *Principles of Macro-economics,* 1997: 143.

[22]Hahnel, 2002: 65.

[23]For empirical data on rising levels of inequality both internationally as well as within the United States see David Dollar, *Globalization, Poverty, and Inequality Since 1980*.

[24]Albert, 2004: 59.

an acceptable way to remunerate labor. Instead we contend that a just economy should reward the effort and sacrifice that one exerts while working, rather than rewarding superior ability or the fact that one's skill set is in higher demand.

It is important to see that remuneration based on the market's valuation of one's labor differs significantly from remuneration based on the social value of one's labor. The market then subverts equity in the sense that:

> the market weighs people's desires by the income behind them, the value of contributions in the marketplace is determined not only by consumers' needs and desires but by the distribution of income . . . . according to the market the value of the contribution of a plastic surgeon with a practice in Hollywood is greater than the market value of the contribution of a family practitioner saving lives in a poor rural area.[25]

Thus, the market will value the cosmetic surgery more than the public good of ameliorating rural poverty. This is the case not because cosmetic surgery is more socially valuable than providing medical care to low-income families; it is the case because those who have skills in greater demand are more highly valued by the market and receive higher wages. Higher income individuals have more income and resources to express their preferences, and influence market value, thus their demand will outweigh the demand of those in poverty because they do not have the economic clout to back up their preferences.[26] This means that the demand force in the labor market is not tied to, and in fact often is incongruent with, social values.

So once again government must step in to correct for the shortcomings of the market, and in this case its neglect of important social values. In response, significant and also often cumbersome governmental regulations and oversight will be required to try to ameliorate this market shortcoming. As will be elaborated on in section 4, alternatives such as participatory economics democratically take our social values, such as equity, into account from the beginning when determining prices and allocation, rather than requiring burdensome checks *post hoc*.

3.2.4 Markets Do Not Function Under Idealized Conditions. Most economic models that tout the efficiency of markets begin with the unstated premise that competitive markets will function under idealized conditions in which rational, well-informed, and self-interested consumers interact with rational, profit-maximizing firms in an open competitive marketplace with price-taking behavior.[27] This is the competitive market model, within which "efficient," i.e. market clearing, equilibriums are reached. As economists freely admit, however, economies functioning in the real world rarely, if ever, match this idealized model. Thus, claims about the efficiency of markets in the real world must be scaled back to accurately reflect their real world operation.

Moreover, economic theorists further assume that markets in equilibrium "will be in a Pareto optimal state only if there are no external effects or public goods."[28] As we saw above, however, external effects are pervasive and public goods are a serious concern. It makes little sense therefore to trumpet the efficiency of the idealized competitive model and Pareto-optimal states if these do not accurately reflect the functioning of markets in the real world.[29]

[25]Hahnel, 2005: 174.

[26]Albert, 2004: 60.

[27]Stiglitz, 1997: 30.

[28]Hahnel, 2002: 92.

[29]*Ibid.*

3.3 Intrinsic Structural Shortcomings of Markets

Even assuming that governments could adequately correct for the pervasive affect of externalities, the significant under-production of public goods, the tendency toward inequity, and the fact that markets do not operate efficiently under non-idealized conditions, nonetheless markets are still not morally desirable as economic structures because of their intrinsic anti-social and undemocratic features. Specifically, markets pit people against one another in an antagonistic manner that undermines solidarity, cooperation, and collective decision making. Markets also operate in a way that is economically undemocratic. This is vital because "how we regulate our exchange and coordinate our disparate economic activities influence what kind of people we become."[30] By organizing people into isolated, self-interested competitors, markets negatively influence the kind of people we become.

These problems are intrinsic to the very structure of markets and cannot be corrected for by government intervention. As Elson has written:

> intervention in markets changes the current parameters (prices, interest rates, exchange rates, tax rates, level of demand, etc.) that market-makers and other decision-makers face, but not the characteristics of the market process itself. In particular, it does not change the social isolation of decision-makers, so that there remain overwhelming pressures for each to pursue their own interests in a myopic fashion.[31]

These intrinsic problems fall into two broad categories: (i) the problems associate with antagonism and competitive-isolation, and (ii) the problems associate with the undemocratic structure and nature of market competition.

3.3.1 Antagonistic Competition vs. Cooperative Solidarity. A central component of the rationale behind competitive markets, as expressed by Adam Smith, is that by pursuing our own self-interest in a competitive market structure, the greater good is served. However, in so doing markets encourage individuals to act in a narrowly self-interested manner. That is, what is considered to be rational economic behavior in a market system is the maximization of one's own advantage, rather than cooperation or the advancement of collective interests. This system of competitive incentives leads to both inefficiencies and anti-social consequences. Robin Hahnel writes that:

> [m]arket economies cast people into antagonistic roles of buyers and sellers every day where empathizing with one's opponent is counterproductive to one's own well-being. Market prices are systematically biased against social activities in favor of individual activities. Markets make it easier to pursue well-being through individual rather than social activity by minimizing the transaction costs associated with the former and maximizing the transaction costs associated with the latter . . . . Markets and hierarchical relations contribute to the erosion and disappearance of . . . worthy traits by rewarding those who ignore democratic and social considerations . . . .[32]

As Thomas Pogge has adriotly discussed, in the pharmaceutical industry drug companies develop drugs in competition with other corporations.[33] The goal under the competitive market framework is

[30]Hahnel, 2005: 178 (Hahnel quoting Samuel Bowles from What Markets Can and Cannot Do, *Challenge Magazine* (July 1991): 13).

[31]Elson in Pat Devine, Market Socialism or Participatory Planning, *Review of Radical Political Economics* 24 (3&4)(1992): 77.

[32]Hahnel, 2005: 179.

[33]See Thomas Pogge, *World Poverty and Human Rights*, 2nd ed. (Yale University Press, 2008): ch. 9.

to create a profitable product which means securing intellectual property rights over that drug in order to be able to limit its production and thus extort higher prices. Thus, the rational decision in a market system is for companies to focus billions of dollars on the development and marketing of drugs to treat erectile dysfunction and baldness, for which wealthy individuals will pay exorbitant sums, rather than provide drugs to prevent and treat diseases in the Third World. Even where companies do develop drugs to treat diseases such as AIDS, the rational market decision is to produce fewer drugs and price them at levels that will be beyond the reach of most lower-income people, but will allow companies to earn a higher profit from wealthier consumers in industrialized nations with good health insurance. The horrific suffering and premature death of hundreds of thousands of people is the consequence of the "rational" decision that is encouraged and rewarded under the market system because it will maximize profits and place a corporation in a stronger competitive position. In this way, markets "promote a warped, antisocial pattern of human development."[34]

This effect of markets can also be seen in the context of globalization, where all too often the decision that is demanded by shareholders and rewarded by Wall Street is the exportation of jobs to places where workers can be more easily exploited through non-living wages, unsafe working conditions, and not having to provide benefits. Doing so cuts costs and places businesses in better competitive positions and is therefore generally favored by the competitive market system. As Michael Albert appropriately describes it, "[i]f you cannot abide hurting others or at least ignoring the hurt endured by others, in a competitive [market] context you are at a severe disadvantage when it comes to your own self-advancement."[35]

Again, one certainly *can* act in a solidaristic and cooperative manner within a competitive market system, but to do so often means having to go against the grain and place oneself at a competitive disadvantage. Moreover, the lack of concrete qualitative information, as well as the obscuring of social ties and connections in market economies, makes cooperation difficult, while competitive pressures make cooperation irrational.[36] As noted earlier, there are certain contexts in which competitive market incentives will happen to align with socially beneficial goals, for example where a certain type of worker is in high demand and in limited supply, the market will encourage employers to generously compensate such workers. The market, however, is at best indifferent to the social value of what it encourages, and recent history suggests that the situations in which market incentives align with socially valuable goals are the exception rather than the rule. Thus, once again, governments and international organizations must step in to attempt to correct for the inhumane and anti-social tendencies of markets that leave sick individuals without medicine and promote the exploitation of vulnerable workers. Even if such corrections could be instituted effectively, which has not always proven to be the case, serious ethical questions would remain about utilizing mechanisms such as markets, which encourage such patently anti-social behavior and which are ethically indifferent to the suffering and degradation of human beings.

3.3.2 Markets are Undemocratic. It is an obvious point, but one which warrants further examination, that markets are undemocratic. The market functions through impersonal laws of exchange; at no point do consumers or producers meet to consciously discuss and vote on the wisdom of decisions. Rather, such decisions are taken out of the hands of the market's participants and left to the whims of impersonal market forces. That markets are undemocratic is a fact that is rarely considered, in part because we are told that the market is an institution that simply functions more efficiently without democratic participation, and in part because we are told that the only alternative to an undemocratic market is undemocratic state-planned socialism. This,

[34]Hahnel, 2005: 178-80.
[35]Albert, 2004: 57.
[36]*Ibid*.: 66.

however, entirely ignores models of democratic participatory planning which offer an alternative that does not rely on the command mechanisms of state-centric economies.

In his book *Rethinking Liberal Equality,* Andrew Levine touches on the issue of democracy and markets when he describes how markets are "helpful for dealing with the complex and interdependent information-processing problems that must be solved if economic assets are to be utilized efficiently. But this advantage is obtained at the expense of efforts to democratize the economic sphere."[37] Some prominent thinkers like Habermas have argued that this is perfectly fine and the economic realm can be appropriately distinguished from the political realm where discourse and democratic input are required.[38] We reject this dichotomization of the economic and the political; we feel that it does not adequately account for the profound affects that economic structures play in shaping the lives and determining the conditions of individuals within a society.

Moreover, in addition to the fact that markets are internally undemocratic, many thinkers have pointed out that markets also undermine democratic political institutions within society. Sam Bowles, for instance, has pointed out that "[i]f democratic governance is a value, it seems reasonable to favor institutions that foster the development of people likely to support democratic institutions and able to function effectively in a democratic environment. As we have seen, markets may provide a hostile environment for the cultivation of the necessary traits."[39] This is the case because markets encourage individuals to act in isolated pursuit of their self-interest and discourage collective-democratic decision making that takes others' interests into account.

The corrosive effects of markets on cooperation, solidarity, and collective democratic participation are particularly stark in private enterprise economies that utilize corporate hierarchical division of labor, in which the vast majority of workers have no say in the operation or direction of their workplace. Moreover, markets have also been shown to erode democratic participation even in economies in which businesses are worker-managed. In the former Yugoslavia, for example, under Tito businesses were operated in a democratic manner in which workers controlled their workplaces, but a competitive market system was kept in place. Under these conditions, the democratic intra-firm features of the system were often overwhelmed by the inter-firm need to compete in the marketplace and maximize profits. As Michael Albert argues, in the old Yugoslavia competitive market pressures forced firms into competitive and antagonistic roles whereby they had to continuously lower production costs in order not to be undersold by their competition.[40] Under these conditions any action taken by Firm A to increase worker pay and benefits, to invest in environmentally sustainable practices, or to give back to the community would create an opening for rival Firm B to undercut them in the marketplace.

While certainly in the context of relative scarcity it will always be necessary to make difficult choices that one would rather not make and which may be against one's interests, the presence of market competition adds a distinct and separate incentive for firms to interact in an antagonistic manner whereby they must work to undercut their competitors or else face being undercut themselves. Under this kill or be killed system of competition, the potential for broader cross-firm cooperation, solidarity, and collective democratic decision making about production decisions is eroded, if not eliminated altogether. This is a distinct anti-social pressure that is intrinsic to competitive markets and separate from the unavoidable pressures of scarcity and efficiency.

[37]Levine, 1998: 45.

[38]See Jürgen Habermas, *The Theory of Communicative Action, Volume 2, System and Lifeworld: A Critique of Functionalist Reason* (Beacon Press, 1987).

[39]Hahnel, 2005: 180, quoting Bowles.

[40]Albert, 2004:181.

Alternative forms of democratic participatory planning facilitate and encourage broader cross-firm democratic cooperation. As will be discussed in section 4, such systems have important advantages in cultivating a democratic and solidaristic citizenry and society. While scarcity as well as supply and demand will inevitably limit the range of choices, under more democratic alternative models there would not be an added need to undercut rivals, undermine cooperation, and continually drive down production costs.[41]

Samuel Bowles wrote that even if it functioned with perfect economic efficiency "the market would still fail if it supported an undemocratic structure of power or if it rewarded greed, opportunism, political passivity, and indifference toward others."[42] As the above discussion demonstrates, markets intrinsically do just that. It is in large part because of these intrinsic shortcomings associated with market competition that we do not whole-heartedly endorse Scandinavian-style political economy that employs both market and non-market arrangements. To be clear, we feel that such arrangements are substantial and important improvements over more neoliberal style capitalist economic arrangements. It is a good thing that Scandinavian-style market socialism is able to successfully soften some of the sharp edges of market competition and is often able to overcome market pressures toward inequality, underproduction of public goods, and the non-internalization externalities. However, even if these goals can be successfully accomplished, the intrinsic problems with market competition described above remain; namely its undemocratic and anti-participatory nature and its tendency to pit people in antagonistic and isolated rather than cooperative and solidaristic roles. Spending a high percentage of GDP on public spending, as countries like Sweden and Denmark do, while admirable, does nothing to address the more fundamental concerns about the lack of democratic processes, values, incentives, and institutions within an economy that relies substantially on market mechanisms.

It is this combination of intrinsic and extrinsic shortcomings of markets that makes the search for alternative economic systems that are more consistent with our underlying democratic values so pressing. In the next section we will briefly examine one such alternative.

4. The Parecon Alternative and the Need to Shift the Burden

In the previous sections we have shown that the TINA assumption is pervasive in the literature, and that this assumption is problematic because of the significant drawbacks that come with market arrangements. In this section we present a non-market model of political economy that does not suffer the same drawbacks, and is at the same time more consistent with our democratic values. If then this alternate model of economic organization ameliorates some of the most significant problems attending markets, as well as helps to foster the kinds of democratic values necessary in democratic-political community, the burden of proof in the debate about forms of political-economic organization should be placed on the market advocate, and not on the market's critics. The description that follows is an admittedly broad overview of the participatory

[41]While the experience of the fall of the old Yugoslavian regime was extremely complex and involved a myriad of complicating factors, our example is intended to highlight one salient aspect of that experience, namely the limitations of cooperation and democratic self-management in the context of non-democratic competitive market-based economic planning. It is this idea about the need to combine workplace democracy with broader democratic planning economically that underlies our arguments in section 4 about the need for democratic allocation procedures. What distinguishes the failed Yugoslavian model of worker control from a participatory economic model is that it attempted to achieve the former without the latter, a position that we contend is untenable.

[42]Samuel Bowles, quoted in Hahnel, 2002: 100.

economics model. We explicitly do not intend this as a full-fledged explanation or defense of participatory economics. Rather, it is intended to provide the reader with a reasonably detailed sketch of one democratic non-market alternative.[43] For a fully detailed account of the participatory economics model readers are encouraged to read Michael Albert and Robin Hahnel, *The Political Economy of Participatory Economics* (1991) and Michael Albert, *Parecon: Life After Capitalism* (2004).

The Parecon approach, in its most germinal phase, consists of an insight that economic and political institutions have significant influence over the kinds of needs, wants, and desires that we have as well as will come to have. This influence is so great indeed that, as Rawls among others claims, these institutions "determine in part the sort of person [we] want to be as well as the sort of person [we] are."[44] From this initial intuition recognizing the importance of the effects of the institutions of the basic structure of society, the Parecon approach asserts that there need be congruence between what we value and the design of the institutions of the basic structure of society. Since these structures wield such pervasive influence, and given that as a human community we value certain things as regard our mode of social organization, then if we wish to promulgate the traits we value it follows that we must arrange our institutions so as to best achieve the goals established by our values. Importing a worn out bit of corporate phraseology, Parecon recognizes as critical, and aims to achieve a synergy between, institutional design and social values. According to Thomas Christiano,

> if citizens have a right to play a certain role in the making of law and policy and certain activities are required for the adequate exercise of this right, the institutions must be designed with an eye to giving the citizens the opportunities to exercise these rights adequately.[45]

Thus, if we think our social institutions should be constructed such that they foster the values we desire and aid in achieving the goals we set for ourselves, then to the extent such institutions do not do so they are inadequate: if then we persist with inadequate institutions we are not committed to the values or principles we have claimed to be committed to.

It can be seen now that values will play a unique and important role in the choice of institutions for the basic structure of a just society. Indeed, because "the choice of these institutions involves some view of human good . . . this choice must, therefore, be made on moral and political grounds as well as on economic grounds."[46] The Parecon approach takes it that the construction of a model of political economy must begin with the choice of values to which we as a human community are committed. Thus, Michael Albert in expounding the Parecon model sets out five values to which he thinks we are, or ought to be, committed as a political community. These values, not in order of importance, include but are not limited to: (a) equity, (b) solidarity, (c) self-management, (d) diversity, and (e) efficiency. It is in terms of these values that the Parecon approach assesses economic institutions, meaning that Parecon accepts or rejects a particular institution depending on to what extent it promotes or inhibits the traits and values supported by the community. This value-centric approach implies that the Parecon approach examines and evaluates economic institutions

[43]The Parecon model is simply one non-market based system of political-economic organization. There are many others which we have not focused on that we could easily have. We have not made mention of the work of thinkers like Branko Horvat, Jaroslav Vanek, Christopher Gunn, or Mario Nuti simply because rhetorically we need only present one viable alternative to make our case.
[44]Rawls, 1971: 229.
[45]Thomas Christiano, *The Rule of the Many*, 1996: 132.
[46]Rawls, 1971: 229.

first and foremost in human terms, i.e. based on the effect of those institutions on human beings. According to Charles Lindblom, "We have come to think not of human need and aspiration but of the market system as the fixed element in light of which we think about policy," and it is precisely this trend that the Parecon approach fundamentally reverses.[47]

Some discussion of the values proposed will be needed here since they play such a large role in the institutional design of Parecon, and their content will not necessarily be limpid to all. Again taking the values in no specific order, diversity (d) as a value, in the socio-political context of Parecon, aims at preserving what someone like Rawls would call the plurality of reasonable comprehensive conceptions of the good. Efficiency (e), as an economic value, means that we must bake bread, i.e. we must accomplish a certain range of tasks in order to produce the means of subsistence for social life as we know it (or might desire it), and with as little waste as possible. It should be noticed that efficiency is not the chief value as regards economic institutions, but simply one among several that must be balanced according to our human needs, wants, and commitments. Our third value, solidarity (b), implies only that all things considered it would be better rather than worse for the members of a society to care about the well-being of their fellows. It is not insignificant to note in connection with this that even someone like Hobbes recognizes the import of solidarity, which is why he goes through the effort of helping us escape the state of nature in which there can be only a life that is poor, solitary, and short.[48]

The choice of values (a) and (c) however stirs up controversy because of the various and often contradictory interpretations that can be given them. Beginning with (c) self-management as a value of economies concerns how much influence each individual ought to have apropos of economic decision making in the workplace. The Parecon answer to the latter question is that each individual ought to have a say in both political and economic decision making to the degree that the individual is affected by any particular decision. Underpinning this move, extending democratic control to the economic realm, is the idea that

> if it is wrong to have a political elite decide our political conditions because we should have some say in this, then surely it is also wrong for an economic elite to decide our economic conditions on the same grounds that we should each have some say in this.[49]

Self-management is what allows individuals to pursue the diverse ends that the value of diversity promotes. For the Parecon approach valuing self-management is valuing each individual's ability to direct the course of their own lives both as a citizen and as a worker.

Perhaps even more controversial than self-management is the value of equity (a). As a value of economic institutions, equity has two aspects in the Parecon view, namely equity in income and equity in circumstances. As regards the first, equity in income is the idea that each person ought to be remunerated in a fair way, in a way that accords with our ethical principles. In the Parecon approach valuing equity in income means that we will remunerate individuals based on their level of effort and sacrifice made in the workplace. This is because each individual's own effort and sacrifice at work is what is most within one's power to control and is thus the most morally salient feature of each of us in the decision as to a norm of remuneration. Thus, it is because effort and sacrifice constitute a morally non-arbitrary basis on which to regulate income distribution that it

[47]Charles Lindblom, The Market as Prison, *Philosophy and Democracy*, 2003: 282.
[48]Thomas Hobbes, *Leviathan*, 1668. Hackett Publishing Company: 1994.
[49]Albert, 2004: 39.

is employed in the Parecon model as the norm of remuneration.[50] As to the second aspect, equity of circumstances, it means that each of us in addition to being remunerated equitably in income should also have a measure of fairness in the conditions of work themselves. How is one to justify the fact that some who receive higher wages enjoy quite comfortable, even very pleasant and empowering, work conditions, while others making precipitously less often toil unceasingly in over-heated, unventilated, perhaps toxic, or even perilous conditions? In the Parecon view, since there is no morally salient feature of persons that prompts the necessity of such an arrangement as there is for example in Plato, there needs to be more equity with regard to the levels of enjoyment and empowerment for individuals in their workplace in a just economy.[51]

The aforementioned principles then are what the Parecon approach takes as guiding values, as the basis from which it will critique economic and political institutions. Now it will be useful to see just what institutions Parecon chooses, and for what reasons it chooses those institutions specifically. Laconically the Parecon institutional arrangement is the following: (i) participatory planning instead of competitive markets, (ii) social ownership of the means of production, (iii) nested workers' and consumers' councils, (iv) balanced job complexes both within and across workplaces, and (v) remuneration according to effort and sacrifice. These institutions have been chosen specifically so as to both reflect the social values we affirm, and inculcate the socially beneficial and democratic behaviors and outcomes that we desire.

About remuneration according to effort and sacrifice we have already said that the Parecon model chooses this because of its commitment to equity, and the fact that remunerating on other bases is morally arbitrary. In the Parecon approach no one can be said to deserve in any meaningful way the endowments of nature or luck, and as such it is inappropriate to come to gain more by them. To reward on these bases is to reward arbitrary features of the individual, features the individual had no control over. Simply because someone had the good fortune to be born the son of John Rockefeller or Bill Gates, thereby possessing seemingly unlimited financial resources, is a morally insignificant reason why that person ought to be able to reap greater rewards. For similar reasons the Parecon approach also rejects remunerating based on natural assets. No one can truly deserve what the happenstance of nature has bequeathed them, and thus to profit disproportionately by them is morally unacceptable given that equity is something we value. Remunerating on this basis also neglects the social character of the development of talents. Excepting the extremely rare geniuses who require no prodding, no encouragement, and no nurturing, those talents that are displayed in an individual are in part the product of the work of many other individuals. As a norm for remuneration this also assumes that many if not most people have no socially useful talents, or lack the ability to develop such talents, which is patently false.

Moving on to balanced job complexes as an integral feature of the Parecon institutional arrangement, we can see the Parecon view recognizes that inequalities arising from differentials in empowerment resultant from the capitalist division of labor are as important as the inequalities arising from differences in the ownership of the means of production. These differences in

[50]One might worry that it will be too difficult to precisely quantify effort and sacrifice, particularly between individuals with different capabilities and endowments. However, we note that markets face the same problem and remunerate based on impersonal market forces that have no relation to social values. Parecon, by contrast, takes the question of measuring effort and sacrifice and places it in the hands of those best positioned to adjudicate it, namely one's co-workers. Thus, workers themselves will be empowered to democratically structure norms of remuneration. Thank you to a reviewer for pointing to this important question.

[51]*See Republic*, Book III: 414a-415e.

empowerment lead those empowered to develop the kinds of skills needed to effectively participate in democratic political forums, while those disempowered feel just the opposite effect. Those disempowered lose the ability to fight and defend themselves through purely political institutions, while those empowered gain the ability to use the system to extract even more benefits for themselves because they are able to participate in the political process and make their voices heard. It is because Parecon is committed to equity, self-management, and solidarity that it chooses balanced job complexes. In any workplace there are variously many tasks that need to be accomplished for the practical business of the firm to be carried out successfully, and these tasks must be divided among the workers. Certain of these tasks will be bundled together into job complexes, and in the Parecon model each task in each workplace is rated by the workers themselves, and afterwards job complexes, or agglomerations of tasks, are designed such that each worker's job complex has the same average empowerment score. This process is then carried out over all workplaces in the economy so that differentials in empowerment do not reach such proportions so as to subvert the political process. The basic idea here is only that there should be an equitable distribution of empowering and disempowering tasks.

It is also because Parecon values equity, self-management, and solidarity that it chooses social ownership of the means of production. Private ownership of the means of production places workers and owners in an antagonistic relationship, both amongst themselves and between each other, that sees each trying to secure advantages for themselves where gain to one is a loss to the other. This situation is certainly not one in which solidarity could arise let alone thrive. Moreover, allowing private ownership undercuts equity in that ownership relations like these both engender and perpetuate disproportionate bargaining power for owners as well as a disproportionate ability to make use of opportunities and talents to secure benefits for one's self. Private ownership destroys self-management insofar as the owner or manager is the one who ultimately decides how, when, where, and on what the means of production he controls are to be used. The further ability of owners to pass on ownership of means of production, as well as money-capital, to offspring serves only to exacerbate inequalities that accrue during individual lifetimes, and thereby extend the disproportionate power wielded by owners both over the workers themselves and over the political process.

The choice of nested workers and consumers' councils illustrates Parecon's commitment to self-management and economic democracy through proportional influence as well as its commitment to rejecting any sharp division of the political sphere from the economic sphere. This commitment is reflected in the nature of the council structure in that as members of a society the two most salient aspects of each individual are their roles as worker and consumer. Each citizen would then have access to democratic structures in which proportional influence obtains in each of the two largest aspects of their lives such that each individual has the ability to have enough influence over one's circumstances at work and at home. This arrangement is made so that the political influence that inevitably attends economic power does not corrupt the integrity of the political process as it does in bourgeois-democratic regimes. Further, by combining this with social ownership of the means of production, the undue political influence that results from economic power derived by private ownership never arises. By employing parallel council structures Parecon's institutional apparatus reflects its commitment to self-management in that these councils are organized starting with simple self-managed units, i.e. it begins with individual firms, and then moves up to a council composed of all the firms in a specific sector of the economy, and last to a council of all the sectors of the economy, thus increasing the scope of the decisions made and the number of people effected at each level. The consumers' council apparatus will begin with individual consumption-groups; these groups could be for example family units, and then moving up to councils for individual neighborhoods, cities, counties, states, and eventually nations. It is very important to note that national councils are not to be construed as the sovereign political body in Parecon. This means that "bottom" level councils are not entirely beholden to "top" level councils, i.e. there is no rigid hierarchy of power relations structured such that those at the top have the last word. These councils do not operate such that orders issue from the top and obedience is expected at the bottom. Rather it should be seen as a horizontal network of democratic self-managed associations.

The commitment to democratic control of workplaces, and social ownership of the means of production, implies that Parecon will not use markets because the former two are inconsistent with the latter. The Parecon view then makes use of participatory planning as the tool for allocating goods and services throughout the economy. The council structure outlined above is chosen so that the participatory planning process can be implemented over an entire economy. The horizontal nesting of workers' and consumers' councils reflects in the design of institutions the increasing scope of the decisions to be made, and the increasing level of social organization at each successive council. The higher level councils embody the perspective, and give voice to the interests, of the collective at ascending levels of social organization in the process of participatorally planning an economy.[52] Thus the council structure is designed so that those at the "bottom" have robust self-management, while the "top" gives a voice to the collective and its needs and interests, e.g. a neighborhood as constituted by its members has interests that can differ from those of the sum total of the interests of its members. Having neighborhood, city, state, and national councils gives the collective a voice in the process of coordinating economic activity at all levels of social organization.

One might worry here that the council structure employed in Parecon leaves no room for accountability through exit competition.[53] This worry is based on important work done by thinkers like Alert Hirschman and Robin Archer who both emphasize the significance of "exit" and "voice" as vehicles by which individuals, be they workers or consumers, can communicate their preferences to institutions, e.g. firms or political organizations.[54] The worry is that while Parecon emphasizes voice as a means for individuals to communicate with institutions it does not, to its detriment, incorporate exit as well. Hirschman and Archer, for example, would both point out that exit and voice work differently in different situations so that the same vehicle will not be feasible in all circumstances, such that some kind of optimal mix between the two will be necessary in order for important kinds of information about worker's or consumer's preferences can be communicated to the relevant parties who can then use that information to guide their institution's decision making. Our reply to this worry is that Parecon in fact does incorporate exit. Workers are at all times

[52]A reviewer was quite right to point out that this system of participatory democratic planning has the potential to lead to personal subordination in some cases through the actions of individuals or committees. We certainly acknowledge that this is a serious concern that would need to be addressed within Parecon. However, we think that participatory economics is also uniquely well-qualified to minimize the risks of such subordination and to provide institutional checks to respond to such concerns. This is the case because the hallmark of participatory economics is the horizontal nesting of the councils, which minimizes the ability of individuals and committees to have power over others. Under the council structure representatives are readily recallable. Furthermore, given that individuals have proportional decision-making power they could have up to full veto power over the decisions of committees if their interests are deeply affected by that decision.

With any system there are costs and benefits, but on the whole the costs associated with personal subordination under Parecon seem to be substantially less severe and more readily checked than the costs associated with competitive market economic arrangements which offer little to no institutional checks or direct democratic oversight over the effects of impersonal market oppression.

[53]Thank you to a reviewer who pointed out this potential worry.

[54]Robin Archer, *The Politics of Feasible Socialism,*1995; Albert Hirschman, *Exit, Voice, and Loyalty*, 1970.

free to exit the production units to which they currently belong and to join or start another. Consumers likewise are at all times free to exit the consumption units they currently belong to and join or start another. In fact Parecon more robustly secures exit competition since in exiting either a production or consumption unit an individual's access to the means of subsistence is not in jeopardy, as it is in a capitalist economy.

Of course there is another worry one might have which threatens to undermine all of the preceding. This is namely the issue of whether Parecon is a feasible economic system at all. It is quite plain that there is a conditional argument which if not resolved would undermine our argument here; *if* it is the case that Parecon simply could not in principle work as a mode of politico-economic organization, *then* quite logically it cannot constitute a feasible alternative to markets. The question then is whether Parecon and its *tatonnement* procedure is practicable as a way of generating efficient prices. This question is a much debated and highly technical issue that we could not hope to do justice to here. Nonetheless it is important for us to say something on the subject in this paper. The most appropriate response seems to be to claim that if a *tatonnement* process is considered an impractical way to generate efficient prices, this impracticality problem will cut both ways. This is because, following Oskar Lange, *tatonnement* is also how prices are arrived at under market arrangements.[55] Thus if the *tatonnement* process is a problem for a socialist economy it must also be a problem for a capitalist economy; that is, the process is just as inefficient in both cases, so its alleged inefficiency in a planned economy makes such a system no worse than a market economy on this score.

An important thing to note about this debate is that it is by no means a settled matter. Some may argue that the historical record has shown us that the arguments advanced by F. A. Hayek in the "socialist calculation debates" were correct, and that as a result planned economies cannot work.[56] The obvious first reply is that in the calculation debates Hayek's arguments are focused exclusively on central planning and not participatory planning.[57] There is of course a world of difference between the two forms of planning, even though both would count for Hayek as attempts at "rationally" planning an economy. A second reply would be to claim that in fact Parecon, in its institutional design, incorporates the essential insight of Hayek's critique of central planning, namely that decentralization in the economy is vital. Parecon's participatory planning scheme is designed to facilitate efficient price generation in an economy that is decentralized. Thus the kinds of local knowledge that Hayek claims will ultimately undermine the efforts of central planners to arrive at market-clearing prices will be available for use in constructing prices in Parecon.[58] A last pass at a reply would point out that "efficient" prices under a system of competitive markets include under the definition of efficiency a surplus of value, i.e. a profit, for the capitalist. Parecon's system includes no such surplus in its definition of economic efficiency, and in that way would be more efficient than competitive markets.

Some might still be skeptical that Parecon could efficiently achieve all the pricing and allocative functions of a market, believing that the technical challenges are simply too large for human beings to overcome. This worry is we think born out of an overly pessimistic view of human beings'

[55]Oskar Lange, 1936: 57-60.

[56]Friedrich Hayek, The Uses of Knowledge in Society, *The American Economic Review* 35 (1945); Socialist Calculation: The Competitive 'Solution,' *Economica* 7 (1940).

[57]Hayek, 1945: 521.

[58]It is important to note that Hayek's critique of economic planning is essentially not about the, in principle, ability of planned economies to generate prices, as was Ludwig von Mises's, but rather about the practical ability of planned economies to generate efficient, i.e. market-clearing, prices. See Lange, On the Economic Theory of Socialism: Part One, *The Review of Economic Studies* 4 (1936).

ability to rise to the occasion, to overcome obstacles that appear insurmountable. Throughout the course of human civilization there is a clear track record of our ability to overcome technical problems that were long considered impossible. If it is the case that human beings were able, not just once but several times, to put men on the moon, then why should we think that participatory planning is too large a technical problem to make Parecon a feasible way to organize an economy? This worry seems to be saying to us that sure we can overcome the technical problems involved in splitting the atom or breaking the sound barrier, but that the technical challenges of participatorily planning an economy are simply too large for us. Moreover, advancements in computer technology over the past few decades have drastically increased our capacity to collect, organize, and synthesize large volumes of information in an efficient and manageable manner, a fact which makes the prospect of participatory planning less daunting. This largely rhetorical response is of course not a technical reply showing exactly how the technical challenges of Parecon would be solved. However, given *homo sapiens'* track record of overcoming significant technical problems in other endeavors, we do not think it is wildly optimistic or irrational to believe that with some effort the technical challenges of Parecon can adequately be met.

There are plenty of other very important and very interesting questions about Parecon's institutional structure; for example, one might worry that participatory decision making should be limited to important social decisions since it will be inefficient to have it so pervasively structure social interaction as it does in Parecon. One might wonder how Parecon incorporates, if it does, a value like environmental sustainability into its thinking about institutional design, and how this value would rank in comparison to the five mentioned above. One might be curious just how consumption and production proposals will be implemented. These are all reasonable and important questions but they simply fall beyond the scope of what could possibly be addressed in a paper of this length. We note that these issues have been addressed in detail elsewhere by other thinkers and the debate about them is important and will continue.[59]

We do not believe, however, that the success or failure of the argument of this paper hinges on the practical feasibility of participatory economics, and we have specifically not made any definitive claims on this question. We have gestured at reasons for thinking the typical arguments against the feasibility of participatory planning are at the very least overstated, but have not staked out a definitive position one way or the other in this paper. Rather, we believe the value of our paper lies in: (i) identifying the pervasiveness of the assumption in favor of substantial use of markets; (ii) describing why this presumption is highly problematic and leads to undemocratic results; (iii) explaining how there are alternative economic models that are not similarly incongruent with important values; and (iv), as will be elaborated on in our conclusion, arguing that in light of the proceeding the presumption in favor of markets should be reversed and it is market advocates who, because of the undemocratic nature of markets, should bear the burden of proof about their appropriateness and necessity. We believe that this argument not only holds together without the addition of a discussion of feasibility, but that it is a radical argument that flies in the face of widely held beliefs and raises critical questions about how this debate should be approached and conducted.

5. Conclusion: Shifting the Burden of Proof

In this paper we have attempted to challenge a fundamental assumption among philosophers, economists, and political theorists that competitive markets are the best way to organize the

[59]For a thorough and technical account of the practical feasibility of the Parecon system, see Albert and Hahnel, *The Political Economy of Participatory Economics*, 1991.

production and allocation of goods and services within an economy, an efficient means that is compatible with the political morality of liberal democracy. Our strategy was first to demonstrate the ubiquity and pervasiveness of this presumption in favor of the idea that substantial use of markets is both an appropriate and the presumptive way to organize economic activity. We demonstrated how liberal icons like John Rawls, among others, have accepted the presumption in favor of markets and assumed that their use is consistent with a just organization of a democratic society. Second, we attempted to: (a) show that markets are not necessarily as efficient as they are sometimes portrayed to be, but instead face serious practical problems; and (b) illustrate several important ways in which competitive markets are intrinsically undemocratic and encourage anti-social and undemocratic behavior. Third, we introduced participatory economics as an alternative economic model whose institutional structure is substantially more consistent with democratic values. Fourth, we argued that in light of these shortcomings, and the presence of an alternative participatory economic system that is more consistent with important democratic values, the presumption in this debate should be reversed and placed with the market's advocates instead of the market's critics. If robust political democracy is an important value, then the burden of proof should be on opponents to demonstrate why it is necessary to use economic mechanisms that conflict with democratic values.

Thus, we are not necessarily advocating the abolition of markets *in toto.*[60] Rather, we are advocating for a reversal of the Rawlsian presumption described in section 1 that ordinarily all regimes will use market mechanisms, and any other devices will only be resorted to in special cases. We wish to turn this presumption on its head and say that ordinarily all democratic regimes should not use market mechanisms because of their undemocratic nature. Rather, market mechanisms should only be resorted to in special cases. In their place we think that ordinarily democratic regimes should utilize democratic and participatory planning unless opponents can convincingly demonstrate their absolute necessity. The burden should therefore be on the market's proponents to compellingly demonstrate why we have to utilize an economic mechanism that is antithetical to fundamental democratic values when there are ways of organizing our economic life which are consistent with our deeply held democratic values.

We believe that this shift in the burden of proof that defines the debate would represent a monumental paradigm shift in the terms of the debate. For too long the literature has been dominated by the belief that substantial use of markets is an unquestionable necessity. Any alternative which attempts to challenge this cornerstone of political economic thought faces a redoubtable burden of proof and a strong presumption against it. This has, can, and does often lead otherwise bright thinkers to beg a rather important question. What we are advocating for is the reversal of this presumption. We believe that all things being equal economic systems that are consistent with, and further, democratic values should be favored over those that do not. We have gone to some lengths to show several important ways in which markets subvert democracy. Markets should therefore carry a heavy burden of proof to demonstrate why, despite this critical shortcoming, they should nonetheless be utilized.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

[60]Again, as mentioned earlier, at least as regards the use of competitive markets for certain commodities vital for the continuance of a cycle in the process of expanded reproduction, e.g. those for land, labor, and capital. See Polanyi, 1944.

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