In the aftermath of the collapse of communism, debate about alternatives to capitalism has divided into three camps: advocates of market socialism, proponents of democratic planning, and supporters of community-based economics. [1] Few anti-capitalists, whether they favor market socialism, democratic planning, or community-based economics, deceive themselves that there is more than a tiny minority in any advanced economy who are ready to replace capitalism at this time. Most of us understand all too well how strong capitalist hegemony is. Moreover, market socialism, democratic planning, and community-based economics are all visions of a thoroughly democratic economy, and supporters understand that this means that until a super-majority supports their vision of a more desirable future, it cannot come to fruition. Therefore, advocates of all three alternative visions understand that with the exception of a few countries where significant portions of the population may now or soon support abandoning capitalism, the struggle to eventually replace capitalism must for the foreseeable future concentrate on fighting to reform capitalism and building experiments in equitable cooperation within capitalism.

Despite important differences of opinion about how best to organize a desirable alternative to capitalism, advocates of market socialism, democratic planning, and community-based economics should be and usually are staunch allies both in most reform struggles to combat the ill effects of free market capitalism and most projects that promote equitable cooperation over competition and greed. But if replacing capitalism is not on the near horizon in most of the world, why devote time and energy to debating the pros and cons of different post-capitalist visions now, particularly if this reminds people who need to work together of their differences?

**Community-based economics**

Supporters of community-based economics reject corporate capitalism, market socialism, and democratic as well as authoritarian national planning. In their place they offer a vision of largely self-reliant, local economies governed by the kind of direct democracy once used in New England town meetings. A growing number of radical environmentalists and young anarchists argue that only reducing the scale of economic institutions and increasing the self-sufficiency of local communities can satisfy libertarian goals, reduce alienation, and promote ecological balance. [2]

Supporters of community-based economics seek to avoid the negative repercussions of both markets and bureaucratic planning by eliminating the “problem” these allocative mechanisms address, coordinating a division of labor among geographically dispersed groups. By decentralizing large, national economies into small, autonomous economic communities, they also hope to promote face-to-face democratic decision-making and create incentives for local communities to take the environmental effects of their activities into account. They argue that while participatory democracy does not work in large groups where people do not know one another and cannot meet face to face, it can work in small communities where it is possible for people to know each other personally. They also reason that once the consequences of choices all fall “in my back yard,” the IMBY principle will force local communities to protect their environment.

While I recognize that community-based economic visions have important differences, I believe many suffer from important weaknesses they share. But before exploring their weaknesses, I want to reaffirm important points of agreement between supporters of at least one version of democratic planning, known as “participatory economics,” and supporters of community-based economics.

1. While today’s capitalist economies can and must be reformed to make them more just, democratic, and less environmentally destructive, as long as our economies are dominated by giant corporations and driven by market forces we will never achieve environmental sustainability, economic justice or economic democracy.

2. The traditional socialist response to capitalism was fatally flawed and does not serve as a positive model. Those who ruled in centrally planned economies unfortunately chose to compete with capitalism in a race that confused economic growth with economic development and ignored the importance of environmental preservation. But more fundamentally, central planning and hierarchical management are inherently incompatible not only with

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**Eco-localism: A Constructive Critique**

by Robin Hahnel

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Supporters of community-based economics seek to avoid the negative repercussions of both markets and bureaucratic planning by eliminating the “problem” these allocative mechanisms address, coordinating a division of labor among geographically dispersed groups. By decentralizing large, national economies into small, autonomous economic communities, they also hope to promote face-to-face democratic decision-making and create incentives for local communities to take the environmental effects of their activities into account. They argue that while participatory democracy does not work in large groups where people do not know one another and cannot meet face to face, it can work in small communities where it is possible for people to know each other personally. They also reason that once the consequences of choices all fall “in my back yard,” the IMBY principle will force local communities to protect their environment.

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2. The traditional socialist response to capitalism was fatally flawed and does not serve as a positive model. Those who ruled in centrally planned economies unfortunately chose to compete with capitalism in a race that confused economic growth with economic development and ignored the importance of environmental preservation. But more fundamentally, central planning and hierarchical management are inherently incompatible not only with
economic self-management but also, ultimately, with economic justice. As Steve Welzer aptly put it: “The socialist experiment was increasingly discredited during the 20th century as it became clear that the promise of egalitarianism and ‘peoples' control’ was a chimera in one socialist experiment after another.” [3]

3. While employee-managed models of market socialism overcome some of the flaws in capitalism and centrally planned socialism, and while worker-owned firms or producer cooperatives can play an important transitional role in combating the economics of competition and greed, as long as market forces play a dominant role in economic decision-making we will never achieve a sustainable economics of equitable cooperation. So worker-ownership by itself is no panacea, nor is market socialism the alternative to capitalism that we seek.

4. A desirable alternative to capitalism must be up to the challenge of replacing today’s environmentally destructive technologies and products with technologies and products that are much more environmentally benign.


6. Finally, we must discard old theories of how capitalism will be replaced and face up to the fact that, in Welzer’s words, “there will be no ‘final conflict’ ushering in the new era, but rather a generations-long challenge to build the new society within the shell of the old.”

Critical questions about community-based economics

Although I recognize differences between various versions of community-based economics and sympathize with the participatory and ecological goals of those who propose them, all versions suffer from the last four problems raised below. However, since many of the more popular versions of community-based economics do not reject private enterprise, I’ll address that issue first.

1. While it may be the case that big business is always bad, it does not follow that small business is necessarily good. Large corporations are not the only businesses that exploit their employees, overcharge their customers, and despoil the environment. Single proprietorships, family-owned businesses, and locally owned businesses where ownership is not "diorced from personal involvement” have also been known to pay their employees poorly, provide inadequate benefits, deny their employees control over their work lives, and price-gouge their fellow community members who find it difficult to travel to shop elsewhere. Local chambers of commerce, which are invariably dominated by local business owners, are seldom reliable allies in campaigns against local pollution and sprawl.

More radical visions of community-based economics do reject private enterprise and markets entirely, even if they recognize that we must put up with them during a lengthy transition period. Like those of us who support participatory economics, advocates of libertarian municipalism, ecosocialism, and communitarian anarchism all argue that there is no place for either private enterprise or markets in a truly desirable economy. In this matter advocates of participatory economics agree with Joel Kovel, an ecosocialist who appreciates the need for local power but is critical of making it an end in itself, and who argues that combining private enterprise and market forces with people seeking to practice equitable cooperation is “like trying to raise weasels and chickens in the same pen.”

2. Unlike some versions of market socialism and democratic planning, no “model” of community-based economics is a real model in the sense that it specifies rules and procedures for how to make all the different kinds of decisions that must be made in any economy. For this reason, all versions of community-based economics are really “visions” rather than coherent models. Sometimes proponents are blissfully unaware that they have failed to address important issues that will inevitably arise. Sometimes proponents refer to the lack of specific, concrete answers regarding how something would be decided as a virtue compared to what they criticize

Central planning and hierarchical management are incompatible with economic self-management but also with economic justice.
as “deterministic” models of market socialism and
democratic planning. But this response misses the
point. It is impossible to evaluate a proposal for how
to run the economy until it is a full and complete
proposal.

This failure should not be confused with the
problem of explaining how to move from today’s
capitalist system to a community-based economy.
Advocates of community-based economics often
address problems of transition more extensively than
they answer exactly how they propose particular is-
ues be decided once we get to a community-based
economy.

Nor should the failure be confused with lack of
speculation about what kinds of decisions enthu-
siasts imagine people will make in a community-based
economy. Since proponents of community-based
economics are motivated by strong convictions that
people need to (a) choose radically different tech-
nologies and products, (b) change their priorities
regarding leisure versus work, and (c) accept the
necessity of zero growth of what ecological econo-
mists call “material throughput,” authors often write
at length about the differences between the decisions
they believe will be made in their community-based
economy and the decisions made in today’s capital-
ist economies.

3. One manifestation of this second problem is
that when push comes to shove, no version of com-
nunity-based economics proposes that communities
excellent critique of extreme localism:

A pure community or even “bioregional” econ-
omy is a fantasy. Strict localism belongs to the
aboriginal stages of society: it cannot be repro-
duced today, and even if it could it would be an
ecological nightmare at present population lev-
els.

In other words, it turns out that autonomous
communities are really only semi-autonomous for a
number of valid reasons:

1. Not every local community can produce every-
thing its members will want to consume.
2. Even if complete self-sufficiency were possi-
ble, whenever there are significant differences in
opportunity costs of producing goods in different
communities, it is inefficient to forgo a division of
labor among them.
3. Whenever there are true economies of scale
that surpass the customer base of a local community,
it is inefficient to forgo a division of labor between
communities.
4. If communities were completely self-
sufficient, serious inequities would arise whenever
some communities were better endowed with natu-
ral, physical or human capital than others.

Unfortunately, when enthusiasts acknowledge
that communities will only be semi-autonomous,
they fail to explain precisely how they propose that
the “semi” part be handled. Instead we invariably
find nothing more than what amounts to hand-
浪潮ing accompanied by declarations of faith that
democratic communities can work this out between
themselves satisfactorily. It is not enough simply to
say that relations between communities “must be
nondependent, nonmonetary, and noninjurious.” [5]
In the likely event that communities rediscover the
advantages of some division of labor, no proposal I
have seen in the extensive literature promoting
community-based economics, precisely because they
are not truly models, provides an answer to the ques-
tion of how “autonomous communities,” which are
nonetheless not completely self-sufficient, should go
about arranging the division of labor between them.

How do communities decide how much of a di-
vision of labor they want to engage in? What if one
community wants a greater division of
labor than another community wants?

Most advocates of community-based
economics offer no answer to this impor-
tant question.

Murray Bookchin is a rare excep-
tion. In Bookchin’s vision of libertarian
municipalism, no community must ac-
quiesce to a greater division of labor than it prefers.
For Bookchin, this is what it means for communities
to be autonomous. But this rule empowers the com-
nunity that wants the least division of labor among
communities to impose its preference over the prefer-
ences of all other communities. And it is unclear
why a community that is better endowed with natu-
rnal, human and/or physical capital would not be
tempted, even if unconsciously, to take unfair advan-
tage of this implicit veto right in Bookchin’s pro-
posal.

Some advocates of community-based econom-
ics emphasize that they do not support free markets
but only “socialized markets.” Besides the obvious
question of exactly how to “socialize” a market, it is
unclear why socialized markets would do more than
simply reduce injustice, inefficiency and environ-
mental damage. Other advocates of community-
based economics naively presume that it would be
easy for communities of good faith to discover “fair”
terms of trade between them. But this is simply not
the case. Not only are free-market terms of trade
unfair and inefficient, terms of trade based on labor
hours are also unfair and inefficient. But if the terms
of trade between communities should not be left to
market forces, and if there is no simple formula to
guide them, how should communities manage their
mutually beneficial economic relations?
The problem of devising desirable allocative mechanisms to coordinate the division of labor between different communities won’t go away, and advocates of community-based economics do not provide a satisfactory answer to how they would coordinate cooperation between communities that under close scrutiny always turn out to be only “semi-autonomous.” A particularly unfortunate consequence of their failure to solve the problem of designing a desirable allocative mechanism is that markets become the implicit fallback option for many advocates of community-based economics when the need for a coordinating mechanism arises. [6]

Advocates of community-based economics also fail to provide concrete answers to crucial questions about how local communities would make different kinds of internal decisions. Even in a community of several thousand people, there will be different groups of workers and consumers, different neighborhoods, and different kinds of economic decisions to make. It is impractical for the whole community to vote on each and every economic question that comes up. What would the agenda for such a meeting look like? Who would be responsible for setting this agenda? Moreover, a democratic vote of an entire community does not provide its citizens with decision-making power in proportion to the degree they are affected in the many cases where not all members of the community are equally affected by a particular economic choice. Nor can all decisions be left entirely to the work groups that form within communities. Many of the decisions groups of workers make affect other groups of workers and must be coordinated with consumers and community residents as well. Are relations among different groups of workers and consumers to be coordinated through markets within communities? If not, what would the community planning procedures be like?

In a community-based economy, the “in my back yard” or IMBY principle works only for local pollutants, i.e., for pollutants that adversely affect only the inhabitants of the local community where they are generated. It does not work when pollution from one community fouls not only its own nest but the nests of other communities as well. What happens when sulfur dioxide from a utility plant located in a county in Ohio comes down as acid rain on hundreds of counties in Pennsylvania, New York, and Connecticut, or when run-off carrying manure from a chicken farm on a tributary of the Capon River in West Virginia contributes to dead zones in the middle of the Chesapeake Bay? In a community-based economy, there would be insufficient incentive for the community where the utility plant or the chicken farm was located to curb its polluting activities, because only part of the negative consequences would occur IMBY, while a significant part of the negative effects would take place NIMBY, but in someone else’s.

Participatory planning: Not what many critics think

Many who are unfamiliar with debates among advocates of democratic planning are unaware that there are important differences of opinion over how democratic planning should be organized.

The model of a participatory economy is only one version of democratic planning. It is designed to promote (a) economic justice, defined as economic reward commensurate with effort or sacrifice; (b) economic democracy, or self-management, defined as decision-making power in proportion to the degree one is affected by a decision; and (c) solidarity, defined as concern for the well-being of others, all to be achieved without sacrificing economic efficiency while promoting a diversity of economic lifestyles. The major institutions used to achieve these goals in the model of a participatory economy are (1) democratic councils of workers and consumers, (2) jobs balanced for empowerment and desirability, (3) renumeration according to effort as judged by one’s workmates, and (4) a participatory planning procedure in which councils and federations of workers and consumers propose and revise their own activities under rules designed to yield outcomes that are efficient and equitable.
This participatory planning procedure is quite different from the two most common versions of national, democratic planning: the one-big-meeting approach and the referendum approach. In the first, representatives or delegates from all the different groups of workers and consumers in the economy meet to propose, discuss, debate and decide on a feasible national economic plan. In the second, a team of experts develops a number of alternative, feasible, national economic plans which are then put to a vote in a national referendum.

With the phrase “one big meeting,” I do not mean to imply that representatives of different constituencies would meet only once. As a matter of fact, I am convinced this approach would result in endless meetings where representatives would go over the same ground repeatedly as they discuss and debate different plans. Coming up with an agenda for such an ongoing series of meetings and formulating coherent criteria for evaluating alternative national economic plans presented at such meetings would almost certainly prove impossible. I find the referendum approach unattractive because it fails to provide people with decision-making input in proportion to the degree they are affected by different economic choices. A referendum on national plans gives everyone equal say over every economic decision. But since decisions about what I and my co-workers produce and how we produce it affect us more than they affect other groups of workers, we should have more say in the decisions concerning those issues just as other groups of workers should have more say than I and my co-workers over the decisions that affect them more.

Michael Albert and I carefully designed our participatory planning procedure not only as an alternative to authoritarian planning and markets but also as an alternative to both the one-big-meeting and referendum approaches to democratic planning. [7] However, since our procedure is unique among models of national, democratic planning, perhaps it is not surprising some would fail to notice the difference.

Some market socialists have criticized our model of a participatory economy on grounds that it would become a nightmare of meetings going nowhere, failing to notice that there are actually no meetings at all in the participatory planning process we proposed. [8] A recent critic misconstrued participatory planning as a referendum approach, which, he argued, would fail to promote “deliberative democracy” sufficiently. Apparently he failed to notice that participatory planning is actually a proposal for how to organize deliberative democracy among worker and consumer councils and federations so that their deliberations can be constructive. [9]

The participants in our planning procedure are the worker councils and federations, the consumer councils and federations, and an Iteration Facilitation Board (IFB). Conceptually, the planning procedure is quite simple. (1) The IFB announces preliminary estimates of the social opportunity costs of all final goods and services, capital goods, natural resources and categories of labor. (2) Taking these opportunity costs into account, consumer councils and federations respond with consumption proposals. Worker councils and federations respond with production proposals listing the outputs they propose to make and the inputs they need to make them. (3) The IFB then calculates the excess demand or supply for each final good and service, capital good, natural resource and category of labor, and adjusts the estimate of the social opportunity cost for the good up or down in light of the excess demand or supply. [10] (4) Using the new estimates of social opportunity costs, consumer and worker councils and federations revise and resubmit their proposals. Individual worker and consumer councils must continue to revise their proposals until they submit one that is accepted by the other councils. The planning process continues until there are no longer excess demands for any goods, any categories of labor, any primary inputs or any capital stocks—in other words, until a feasible plan is reached. [11]

The participatory planning procedure also allows for community self-management. Neighborhood consumption councils have sole responsibility for proposing what local public goods they wish to consume. They are also responsible for revising their proposals in light of further information about the social costs of different options.

Participatory economics recognizes the legitimacy not only of local communities but of larger communities as well, and provides for federations of communities working up through wards, cities, counties, states and regions to the national community. The participatory planning process affords these larger communities self-management because federations participate in the planning process on an equal footing with worker and neighborhood consumer councils.

Federations of larger “communities” are singularly
responsible for proposing what larger level public goods they wish to consume. It is also their sole responsibility to revise their proposals in light of further information about the social costs of different options in subsequent iterations of the planning procedure. This is how participatory planning addresses the fact that not all pollutants are local. When only a neighborhood is affected by a pollutant, the neighborhood council controls how much will be permitted, just as local communities in community-based economic visions do. But when a pollutant affects larger communities, it is the federation representing the larger community that controls pollution levels in the participatory planning process. [12]

Allies in thought as well as in struggle

I believe as discussion continues supporters of participatory economics and community-based economics will become even closer intellectual allies than many of us already are. We share the same values: an unwavering commitment to environmental sustainability, economic democracy, economic justice and diversity. We all understand that economic democracy means direct, active, effective, grassroots participation, not delegating authority to representatives or abdicating decision-making to market forces. For my part, I see nothing in a participatory economy that should displease proponents of community-based economics, particularly since participatory economics is "agnostic" with regard to the degree of community self-sufficiency that will prove desirable.

This is not to say that critiques of participatory economics have not appeared in radical libertarian journals. [13] But from what I have read, there is little if any disagreement over values, and much of the disagreement over institutions and procedures voiced by our anarchist critics is based on a misreading and misinterpretation of what supporters of participatory economics have actually proposed. I also think those attracted to community-based economics may find that problems with their vision I have raised here are nicely resolved by some features of a participatory economy.

In any case, I regard most contemporary advocates of community-based economics as intellectual allies like our council communist, syndicalist, anarchist and guild socialist forebears. I invite them to consider the procedures of participatory planning when they think further about how they would coordinate economic relations among communities that are, in fact, only semi-autonomous. I further invite them to reflect on how they would propose communities comprised of different groups of workers and consumers apportion decision-making authority internally as well.

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Notes

1. There are still a few diehard advocates of an economic system variously referred to as command planning, authoritarian planning, bureaucratic planning, communist planning or central planning. However, this kind of undemocratic national economic planning has been sufficiently discredited by the experiences of Communist governments that practiced it during the 20th century that there is little interest in further exploring this alternative to capitalism.

2. For an excellent survey and defense of community-based economics on ecological grounds, see Fred Curtis, Eco-localism and Sustainability, Ecological Economics, 46, 2003, pp. 83–102.


10. For any who think the IFB is merely a CPB (central planning board) in disguise, the IFB could easily be replaced by a formula or algorithm for adjusting indicative prices.

11. From this brief description, it may not be apparent why the procedure would converge to a feasible plan, much less an efficient plan. Interested readers should consult chapter 5 in The Political Economy of Participatory Economics where we prove that the procedure will reach a feasible plan that is also efficient under less restrictive assumptions about preferences and technologies necessary to prove that the general equilibrium of a market economy will be a Pareto optimum.
