

Debate Backgrounder: Participatory Economy

Ryan Corke, Madi Koch, Molly Libby, Ellie Miller, Ali Rathlef

SUST_O 205 001 2025W2

Dr. John Janmaat

April 6, 2026

A participatory economy is an alternative system built on democratic decision-making. Instead of corporations or centralized authorities directing production and consumption, decisions are made collectively through worker and consumer councils. Through an annual planning process, individuals help shape economic priorities, resource allocation, and social outcomes. Developed by Robin Hahnel and Michael Albert, this model aims to address major failures of current economic systems, particularly inequality and environmental externalities, by embedding social and ecological considerations directly into economic planning. At its core, participatory economics seeks to reduce inequality by removing large differences in wealth and redistributing decision-making power. Supporters argue that if no one is significantly wealthier than others, the domination of economic decisions by elites would disappear. This could create a more level playing field where people have a direct say in shaping economic outcomes.

However, this raises important concerns. While the system is designed to eliminate hierarchies, critics argue that it may only redistribute power rather than remove it. As Jan Phillip Dapprich (2024) suggests, shifting power does not eliminate the risk of manipulation or unequal influence. It may simply put that power in new hands. Issues like discrimination, bias, and unequal access to education or resources would still exist, which could limit who is actually able to participate fully.

There are also questions about whether the transition to this system is realistic. Supporters argue that major systemic change is necessary, even if it comes with costs. However, history shows that large economic transitions can be extremely disruptive. For example, the shift in Eastern Europe after the fall of the Soviet Union caused major instability, even with strong international support. Participatory economics proposes a similarly complex transition, but without a clear timeline, funding plan, or way to deal with resistance from powerful groups.

While the idea of slowly building councils sounds manageable, changing an entire economic system is very uncertain and risky. Overall, while participatory economics offers strong ideas around equity and sustainability, there are significant concerns about how well it would work in practice and whether it could truly deliver equal participation.

Participatory economics aims to address inequality by changing both how income is earned and how decisions are made. In this system, compensation is based on effort and sacrifice rather than ownership or wealth, which reduces the extreme disparities we see today and prevents individuals from dominating economic outcomes simply because they are richer (Hahnel, 2015). With decision-making being distributed through worker and consumer councils, this gives all participants a direct role in shaping the policies and practices that affect their daily lives. By doing so, participatory economics creates a framework in which economic influence is linked to participation and effort rather than accumulation of wealth, theoretically allowing for broader inclusion in economic governance (Hahnel, 2015).

Supporters of participatory economics also argue that this system tackles barriers to equal opportunity. While social biases and discrimination cannot be completely eliminated, the system removes one of the most powerful tools of influence that is extreme economic power. As Robin Hahnel (2015, p. 38) notes, “the problem of domination of decision making processes by the wealthy will disappear since nobody... would be significantly wealthier than anyone else”. In this way, the system attempts to create a more level playing field where all participants have the ability to contribute meaningfully to economic decisions, and outcomes are less likely to be skewed in favor of the wealthy few. Even with wealth-based ranking removed, there is still the potential for dominance by more persuasive or strategically positioned participants. The rules of the system may reduce certain forms of structural inequality, but they cannot fully prevent

individuals or groups from leveraging social influence and dismissing the minority to shape outcomes in their favor (Dapprich, 2024).

While participatory economics may succeed in reducing the extreme inequalities generated by wealth, it does not fully guarantee equal opportunity in the face of discrimination. Power dynamics may continue by simply taking new forms, and the promise of broad, equitable participation depends heavily on ongoing caution, social norms, and additional measures beyond what the model provides as of yet. To conclude, while participatory economics addresses some barriers to equality, it may not fully resolve the persistent challenges of bias, influence, and social hierarchy in economic decision-making.

The next point examines whether participatory planning can efficiently coordinate multinational trade systems and support implementation at global and national levels.. Given the inherently tedious and inevitably slow structure of participatory planning, global integration and trade would be a nearly impossible feat. With worker and consumer councils ranging from a neighbourhood to an international scale, the time commitment alone would render the system wildly inefficient. Considering that edits to the proposed annual plan must be recirculated back to the preliminary councils repeatedly until compromise is agreed upon, the time commitment to individuals lengthens. It is important to remember that time is a valuable resource that will be largely sacrificed in the transaction costs of this system. Likely, these high transaction costs of both time and money would be enough to eliminate any possibility of efficiency. Robin Hannel states in his article, *Participatory Economics and the Next System* “we are under no illusion that this would be done in every country at the same time” (2016).

Additionally, participatory planning on a national scale, with only some nations participating, would depend on co-operation and a reasonable degree of empathy and kindness

worldwide. While it may be challenging to grapple with this fact, based on current evidence empathy seemingly decreases with distance and cultural differences (Ledwith & Springett, 2022). For example, when Cuba attempted to transition to a more socialist political regime, they were not met with kindness and support, but rather immense backlash from the US (Guzman & Jeyaretnam, 2026). They faced trade restrictions with one of their largest supplies, and fell into a state of national poverty (2026). It is unrealistic to assume that under a participatory planning economy, countries will make considerable sacrifices for each other or show compassion in the face of political and economic changes. Therefore, it is reasonable to conclude that participatory economics cannot be efficiently implemented or managed on a global or national scale.

Furthermore a major concern with participatory economics is whether equal decision making power would slow down outcomes. With today's top down approach in economic systems, where authority is implemented through a hierarchy and decision-making is streamlined, processes can already be slow. It is difficult to imagine how a system needing the input from hundreds or thousands of people for a single decision would be more efficient. In fact, the opposite seems more possible. The more people involved in a decision, the more time it takes to reach a conclusion. Worker and consumer councils must suggest and revise their plans through multiple review rounds, which inherently lengthens the decision making process (Robin Hahnel, 2016). This structure risks creating inefficiency and gridlock, slowing progress rather than enabling it.

Additionally, participatory economics relies on the idea that only those affected by the decision should have their input considered. While this approach sounds fair on paper, it is often difficult to define who is affected and to what extent (Hahnel, 2015). Outcomes are

unpredictable, resulting in decisions that may unintentionally impact individuals who were not considered, leading to unfair results.

On a larger scale, involving all of the people in decisions that affect entire continents or even the world seems impractical. Having complete satisfaction or a majority where no harm is done among all individuals involved is unrealistic, as conflicting interests and perspectives will always be relevant. This leads to an important question, if complete satisfaction is impossible, is it worth spending an abundance of time and resources on such a large decision making process?

While participatory economics has the goal to create fairness and participation, its dependents on involvement may lead to excessive wasted time, inefficiency, and decision making gridlock. Instead of speeding up progress toward a better future, it risks slowing it down.

To continue, the question of whether transition costs are merely the price of meaningful change or a fundamental barrier to implementation has a clear answer. Advocates of a participatory economy have never adequately addressed either the scale or the mechanism of transition, making these costs a decisive reason for rejection.

History demonstrates that systemic economic transitions are enormously disruptive, even when supported by powerful international institutions. “Shock therapy” is a term for the rapid and comprehensive transformation of centrally planned economies into market systems, a method that Murrell (1992) rejected as the immediate destruction of old institutions proved highly disruptive, even with significant intervention from the International Monetary Fund and the World Bank. A participatory economy proposes a comparable transition toward a system that has never been implemented at a national scale, with no equivalent support mechanism to lean on.

The complexity of this challenge cannot be overstated. Wagener (1993) cautions that transforming an entire economy is the most complex form of institutional change possible, requiring simultaneous changes across the entire socioeconomic system. Beyond complexity, the political barriers are equally formidable. Weingast (1994) demonstrates that even economically sound reforms fail when political risks are too high, as dominant groups refuse to support transitions they fear will not last. Every existing institution naturally generates powerful interests motivated to protect it, meaning a transition to a participatory economy would simultaneously threaten every major institutional interest in the current system, generating maximum resistance with no mechanism to overcome it (Moe, 2015).

Supporters of a participatory economy offer a transition strategy of gradually building councils and replacing market mechanisms with participatory planning (Hahnel, 2016). Yet as O'Hearn (2018) notes, the immediate purpose of this strategy is merely to demonstrate that the model is possible, with the actual transition acknowledged as a harder separate task. A vision without a concrete mechanism is not a transition plan. The transition costs of moving to a participatory economy are not simply the price of meaningful change; they are the price of an uncharted leap with no safety net.

In conclusion, participatory economics is a compelling and thoughtful alternative to the current economic system, particularly in its emphasis on equity, sustainability, and democratic decision-making. Its focus on reducing wealth disparities, amplifying collective voices, and embedding social responsibility into economic structures offers an appealing vision of a more just and inclusive society. In theory, the model addresses many of the shortcomings of capitalism by attempting to eliminate the concentration of power and prioritizing human and environmental well-being over profit. However, despite these strengths, the feasibility of participatory

economics remains highly questionable. The model relies on ideal conditions: widespread cooperation, consistent engagement, and equitable participation, which are difficult to achieve in practice. Persistent social inequalities, such as differences in education, confidence, and access to resources, would likely continue to shape who participates and whose voices are heard. Additionally, the system's heavy reliance on large-scale, collective decision-making causes significant inefficiencies, with time-consuming planning processes that could slow progress and responsiveness. Ultimately, while participatory economics does offer valuable ideas and highlights important flaws in the existing system, it is not a realistic alternative. Its ambitions are admirable, but without practical mechanisms for implementation, it remains difficult to translate into reality.

References

- Dapprich, J. P. (2024). Democratic theory and economic planning. *Erasmus Journal for Philosophy and Economics*, 17(2). <https://doi.org/10.23941/ejpe.v17i2.867>
- Guzman, C. & Jeyaretnam, M. (2026, March 17). The crisis in Cuba, explained. *TIME Online Magazine*; Time.
<https://time.com/article/2026/03/17/cuba-economic-energy-crisis-trump-us-explainer/em/>
- Hahnel, R. (2015). Participatory Economics and the Commons. *Capitalism Nature Socialism*, 26(3), 31–43. <https://doi.org/10.1080/10455752.2015.1011069>
- Hahnel, R. (2016, April 26). *Participatory economics and the next system*. Resilience.
<https://www.resilience.org/stories/2016-04-26/participatory-economics-and-the-next-syst>
- Hahnel, R. (2022). A Participatory Economy: What Have We Learned? *Science & Society: A Journal of Marxist Thought and Analysis*, 86(2), 145-153
- Ledwith, M., & Springett, J. (2022). Participatory practice. In *Participatory Practice: Community-based Action for Transformative Change*. (pp. 13–36). Policy Press.
<https://doi.org/10.51952/9781447365495.ch001>
- Moe, T. M. (2015). Vested interests and political institutions. *Political Science Quarterly*, 130(2), 277–318. <https://doi.org/10.1002/polq.12321>
- Murrell, P. (1992). Evolutionary and radical approaches to economic reform. *Economics of Planning*, 25, 79–95. <https://doi.org/10.1007/BF00366291>

O'Hearn, D. (2018). Review of alternatives to capitalism: Proposals for a democratic economy by Robin Hahnel and Erik Olin Wright. *Journal of World-Systems Research*, 24(2), 488–495. <https://doi.org/10.5195/JWSR.2018.873>

Szczepanczyk, M. (2025, January 15). How does a participatory economy protect the environment? *Participatory Economy Project*.
<https://participatoryeconomy.org/how-does-a-participatory-economy-protect-the-environment/>

Wagener, H. J. (1993). Some theory of systemic change and transformation. In H. J. Wagener (Ed.), *On the theory and policy of systemic change: Studies in contemporary economics*. Physica-Verlag HD. https://doi.org/10.1007/978-3-642-99768-6_1

Weingast, B. (1994, January). *The political impediments to economic reform: Political risk and enduring gridlock* (IPR68). Institute for Policy Reform.
<https://doi.org/10.22004/ag.econ.294831>

Wellbeing Economy Alliance. (n.d.). *Rojava*. <https://weall.org/resource/rojava>