

# **Democratic Planned Socialism: Feasible Economic Procedures**

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## I. Introduction

Over the years, many socialists have written about the undesirability or impossibility of using markets in an authentic socialist society. Well known early advocates<sup>1</sup> of this position include Marx (1875), Bellamy (1888), Kautsky (1892), Bukkarin and Preobrazhensky (1919), and Neurath (1919). Only recently, however, have more fully worked out models of Democratic Planned Socialism (DPS)<sup>2</sup> been put forward by Devine (1988), Albert and Hahnel (1991a and 1991b), Cockshott and Cottrell (1993) and Laibman (1992, 1995, 1999).<sup>3</sup>

There are two key and differentiating elements in models of Democratic Planned Socialism: the type of procedures for instituting democratic control by people of all the institutions they are part of, and the procedures for conscious coordination, control and planning of the economy. Due to the limits on the length of this article it will address only the latter, but that should not be construed to imply that the author believes that the specification of the coordination, control and planning procedures are more important to the nature of the socialist society than the determination of the procedures for decision making and participation.

Before one can discuss economic procedures, or democratic and participatory procedures if one was discussing them as well, one has to specify the goals the procedures are supposed to further, to give criteria for judging any proposed procedure against any alternative.

## II. The Goals of Socialism

At the broadest and most abstract level, the central goal of socialism has always been something like “human development,” “the development of one’s human potential” or “the opportunity to develop potential abilities.” At a slightly less abstract level, self governance (or often simply “democracy”), equality,<sup>4</sup> and solidarity are the most commonly cited sub goals.<sup>5</sup> Other still more concrete goals were intended to contribute to these goals, such as the standard (until recent Market Socialist times) goal of nationalizing the means of production, which was intended to contribute to both equality and self governance in the economy. Various authors list other goals they ascribe to socialism, such as “individuality” and “privacy” (Weisskopf), “liberty” and “autonomy” (Schweickart), and “variety” (Albert and Hahnel), but the traditional ones are still the ones most often referred to. Recently most socialist models, including the models of Democratic Planned Socialism referred to above, have included protecting the natural

environment as an important goal.

### III.. Conscious Economic Coordination, Control and Planning

Here I will discuss sixteen specific proposals for rules and procedures for democratic coordination, control and planning of the economy. There are other aspects to be considered in a full model, but these are all that can be discussed in the space available, and they will be sufficient to portray the general nature of the proposed model. The economy in Planned Democratic Socialism will differ from markets in the manner of determination of three central aspects: what is produced, how necessary inputs and human labor are brought to the production process, and how what is produced is distributed.

Under capitalism, what is produced is determined by profit maximizing companies. They respond to whatever direct or derived demand they believe they can make the most profit from, and they are subject to the laws of the market that form the environment in which they make their decisions on production. There is no pretense of democratic control of the economy.

Two basic types of democratic changes must be effected to establish popular control over the whole economy. On the one hand, decisions by the enterprises and organizations that produce society's desired goods and services must become democratic, being made by those strongly affected by the decisions: in many cases the workers in the enterprise, in other cases some larger body. On the other hand, society's members must establish democratic control over the interaction and coordination of these enterprise level decisions, and control over the aggregate results of these myriad enterprise decisions, to complete the popular democratic control of the whole economy. Two different types of mechanisms will together generate this social control: the direct democratic determination of a few socially important aggregates, and the specification of certain parametric algorithms for a number of enterprise decisions. This section will elaborate on all of these points.

#### **Goal #1: Democratic Control of Two Key Social Economic Aggregates**

People hold different opinions concerning what part of total yearly production should go to "the present generation," that is, consumption, and what part should be used to create a better economy for "future generations," that is, investment. Similarly, people hold different opinions concerning the ratios they would like to see between the three components of present

consumption; individual consumption (consumer goods and services), collective consumption (for example national and local parks and other recreational facilities), and social services (education and health care would be two major ones). Therefore,

**Procedure #1:** The national population will vote to directly determine how to divide current GDP between present consumption and investment, and how to divide current consumption between individual consumption, collective consumption and social services and government operating costs.<sup>6</sup>

A straightforward procedure would suffice to enforce these democratic decisions.

**Procedure #2:** Workers will be paid (collectively) the full value of what they produce (wages to be discussed below), and then taxed in accord with their votes just discussed<sup>7</sup>.

For example, suppose people voted for 10% investment and 90% consumption, and they voted for the division among current consumption to be 30% for social services, 15% for collective consumption, 5% for government operating costs, and for 50% individual consumption. Then taxes would take a total of 55% of GDP which would be spent according to (as a percent of total GDP) 10% for investment,<sup>8</sup> 27% for social services, 13.5% for collective consumption and 4.5% for operating the government, leaving 45% to be spent individually on consumer goods and services. Note in particular that this would ensure that the amount of money in the economy available for purchasing consumer goods and services would just equal the value of those goods to be purchased, so there would be no reason for demand pull inflation<sup>9</sup> and the devaluation of the "money."<sup>10</sup>

**Goal #2:** Democratic Control of Micro (or Enterprise Level) Economic Decisions

Traditional socialist models have differed on where a number of microeconomic decisions should be made. In particular, there have been differences concerning if some decisions should be made in an enterprise (by workers councils) or if they should be made at a supra enterprise level by planners who represent<sup>11</sup> a larger constituency or perhaps the whole nation. The general criteria for deciding this issue are

**Procedure #3:** Decisions whose effects are predominantly internal to the workplace will be made by the workplace worker's councils.<sup>12</sup>

and

**Procedure #4:** Sections of society larger than the workplace workforce must be included in any production decisions which significantly affect these larger sections of society. Such decisions will be made by a democratically elected government or by boards democratically elected to

carry out the task of making these choices to best reflect society's members' preferences.

It is important to understand the amount of additional self governance this would bring into people's lives. The following two groups of types of decisions, presently all determined by owners of capital, would be governed by Procedure #3 and determined by workplace collectives.

*Group 1. Relationship of workers to their workplace collective: hiring and firing; discipline; promotions, evaluation and training; transfers and leaves; internal information and communication systems; administrative procedures and rules; organizational form; extent and nature of supervision.*

*Group 2. Relationship of workers to one another and to the physical features of work: quality control; working conditions; methods of remuneration; maintenance of machinery and equipment; work methods, task ordering, job division, job rotation, variety of tasks, and so on; scheduling; work distribution and assignments; type and level of interaction among workers; employment of technology (that does not seriously impact the physical environment); non monetary incentives.<sup>13</sup>*

Other decisions would directly impact larger segments of the population. As an example, consider the adoption of a technology that might pollute the surrounding neighborhood, or might significantly contribute to national or global pollution. Here the extension of self governance to those significantly affected requires decisions be made at a supra enterprise level, as proposed by Procedure #4. Additionally, the collective consumption decisions and decisions on the amount and nature of social services to be provided discussed above should be made the same way.

**Procedure #5:** Choices concerning investment, collective consumption and social services will be determined by a democratically elected government or by boards democratically elected to carry out the task of making these choices to best reflect society's members' preferences.

**Comment #1.** One ongoing discussion concerning socialist economic models concerns centralization of decision making v.s. decentralization. This model clearly contains both centralized and decentralized decision location. The important issue is what the criteria are for deciding how centralized/ decentralized a decision will be.

The need for coordination is the main reason for requiring some level of centralization. If everybody buys a car because with the existing roads they can get to work faster than with a bus, the roads will end up being choked and the people will not get the rapid transportation that they

chose to buy the car to achieve. Decentralization there does not do a good job of satisfying people's preferences. If 20 steel producing plants across the country in a Market Socialist system see steel is selling well above cost and hence decide to invest to double their capacity to reap large profits on the invested capital, the market will be flooded, steel will no longer sell above cost, the investor collectives will not realize the goal they invested for, and society will have wasted resources.

Beyond the issue of collective self governance by people of the institutions they are part of, the main reason for decentralization is access to necessary detailed information. If one looks at the list of production decisions above, one can see that the workers in the enterprises themselves are the people who will have the knowledge required for many of the decisions. One could have this information relayed to a center, as was done for many of these decisions in the Bureaucratically Planned economy of the USSR. But depending on what incentive systems one had for the people involved, one could have deliberately incorrect information relayed to the center, as was in fact a major problem in the USSR, greatly diminishing the value of decisions made by the center.

The location of decisions on the centralize/decentralize spectrum should be determined by the economic nature of the decision being considered. In particular, decisions that require extensive coordination to achieve a socially optimal outcome must be sufficiently centralized, while decisions that need extensive and detailed local information and do not have severe coordination issues must be sufficiently decentralized.

**Comment #2.** Most authors who write about a post capitalist non market socialist economy have stressed the importance to authentic human development of a profound transformation of the nature of work. The control given to workers' councils in Procedure #3 above implies this deep change. There is not space here to elaborate on this, but it is important to emphasize its centrality to a socialist transformation. All four of the DPS models discussed above refer to this, but it is addressed at greatest length in the works by Devine (1988) and Albert and Hahnel (1992a).

I want to next deal specifically with four decisions key to any economy involving a division of labor and exchange: wages, prices, investment and output. Note that under capitalism all are determined by (conceptually) simple algorithms, which all aim to serve the goal of

maximizing enterprise profits. Algorithms for these four quantities will play an important role, though they certainly are not the only contributing factors as we have already seen, to the economic coordination of this model of DPS.

Goods and services produced will have exchange prices attached to them, and as the name suggests the ratios of these prices will determine the amount of a good exchanged for another good or exchanged for money. Exchange prices certainly will want to be set to (roughly) balance the supply and demand for goods: shortages or surpluses represent wasted human time and wasted resources that could have been used to further human development. But the requirement that supply equal demand at a given price does not close the problem mathematically. For example, if one had a price at which supply equaled demand and producers decided they wanted to supply more output at every potential price, then the price at which supply equaled demand would fall. Having supply equal demand does not by itself determine the price.

The socialist goal of equality suggests that if a person contributes a certain number of hours to social production, she should be able to get in return goods and services that took the same amount of hours of labor by other humans to produce. In this sense, everyone's time is held to be of equal value.<sup>14</sup> Together the wage, price and investment procedures presented below will achieve this egalitarian treatment of human labor.

**Procedure #6.** Every person will be paid the same amount per hour contributed of social labor.

Clearly it is not important if we call the wage \$15/ hour or one labor credit/ hour.

**Procedure #7.** Every good will carry two prices, an exchange price at which it will actually exchange, and a cost price.

**Procedure #8.** The cost price of a good (consumer good, capital good, or intermediate good) will be the sum of what must be paid to the workers, the cost price of intermediate goods, and the cost for the use of capital goods (see below on investment for this cost).

A major difference between this system and a market system enters at this point, and one that is particularly important to the ecological destruction that is occurring today. As has been repeatedly observed by its critics, neoclassic economics largely ignores externalities.<sup>15</sup> For example, a production process can pollute, seriously harming the health of millions of people. The laws of the market prevent the company from spending money to return the environment to

its original state even if it were inclined to do so, since that would raise its price and cut into its market share and profits. In the DPS system described here, the solution would be to simply require the enterprise to correct any damages to the environment from its production process and include the costs of doing so as part of the cost structure associated with that technology.<sup>16</sup> Note that this and most externalities affect many more people than the workers in the workplace, so the amount of environmental protection required would be another issue that would have to be determined above the enterprise level. Democratically selected experts or the affected population itself would determine the level of pollution that they considered non damaging to the environment.

**Procedure #9.** A democratically determined “Investment Council” (IC) will determine investment to expand (or divestment to contract) output according to the relative gaps between the exchange price and the cost price for all goods. All capital goods will belong to the people collectively, not to the workplace that uses them.

The exchange price indicates how much of the labor time which they have contributed to social production people are willing to pay for a good, or roughly, how long they would be willing to work to make it. The cost price reflects how much social labor it actually takes to make. The bigger the relative gap between these for a given good, the greater the gains to society from producing more of that good. Recall that the total amount of investment has already been democratically determined, so the investment algorithm indicated in Procedure #9 now determines how much of that investment goes to each enterprise to expand its output, thereby bringing down its exchange price and closing the gap.

**Procedure #10.** A cost price will be calculated for capital goods just as for other goods. Recall every year the IC receives some democratically determined part of the GDP for investment. Once it has decided how to allocate that as described in the last procedure, it will purchase capital goods from capital goods producers, at cost prices, and distribute these to workplaces. Once a capital good is given to a workplace to use, a rent will be charged. That rent will be set to pay back the cost of the capital good to the IC, over the time they estimate it will take to be completely depreciated (from physical wear and tear, or from obsolescence).<sup>17</sup>

An important caveat is needed concerning the price mechanism just described, a second procedure motivated by concern with the rapidly growing environment crisis. If the cost of a limited harvest good (such as fish or timber) was such that at that price the demand was more than could be sustained over time, the resource would be depleted. Aside from its economic



impact, that could be considered environmentally unacceptable.

**Procedure #11.** A tariff will be added to the cost price of any renewable resource threatened with over harvesting to raise it to a level such that demand at that price will not exceed a level of production that is environmentally sustainable. For non renewable resources the same procedure would be used, where the level of production is set to a socially determined acceptable rate of depletion, including possibly a rate of zero if so desired.

This of course will produce a revenue for the government. That revenue could be used, for example, to lessen the tax needed to run the government. The use of the revenue, however, is a strictly secondary consideration. The system of incomes and expenses is already balanced without this revenue, and the point of the tariffs is to protect the environment.

Finally, consider enterprise output determination. As long as the cost price is below the exchange price, people in society are indicating that they would be willing to contribute more hours of their time to social production than it actually takes society to produce the good.

**Procedure #12.** Enterprises will expand their output (for their existing capital stock) as long as the marginal cost of producing another unit is below the exchange price obtaining for their product.<sup>18</sup>

Note in passing that to the extent that large amounts of capitalist production takes place in oligopolistic industries, this DPS procedure would 1) yield important social efficiency gains over capitalism (and over Market Socialism), and 2) represent a more authentic “consumer sovereignty” (relative amounts of consumer goods produced match consumers’ willingness to exchange their labor for them) than capitalism.

Just as models of DPS recognize that people differ in their ranking of social goods and services for their consumption, such models should recognize that people differ in their preferences concerning how much work and what type of work they desire to engage in. I want to end this discussion of procedures by very briefly indicating four procedures that would increase people’s choices concerning how they worked.

**Procedure #13.** Labor/Leisure tradeoff. People can work as many or as few hours as they choose in social labor.

This is important to best meet the spectrum of desires that people have on their labor/leisure (or even social labor/ “individual” labor) tradeoff. Leaving aside the issue of access to free goods such as education and health care that society would have to decide on for people who chose to do minimal or no social labor, people who chose to work less still only draw back

from the social collective what they contribute. As such they do not constitute an economic problem. Note that the labor/leisure tradeoff is simultaneously a high/low social goods consumption tradeoff, again something about which people will have different preferences.

**Procedure #14.** “Undesirable work” would earn some number of labor credits greater than one per hour, with the rate set to assure that the number of people desiring to do a certain type of work matched the number needed by society for the socially desired social product.

This of course runs counter to the egalitarian Procedure #6. It is seen as something only affecting a relatively small number of particularly undesirable jobs, as the only way for these few jobs to avoid conscripting labor, which I view as more socially harmful than the non egalitarian consequences of this procedure. However, the egalitarian Procedure # 6 remains the goal, and to constantly try to move toward it one has

**Procedure #15.** The greater the labor multiplier for some undesirable job, the more research efforts and funds would be directed toward restructuring or transforming the work to make it less undesirable, or mechanizing it to eliminate it.

This would tend over time to move any non unitary multiplier toward the standard value of one.

The final procedure concerns a different aspect of labor.

**Procedure #16.** Pay for Childcare. Any socially useful service, as determined by society, that does not produce a consumer service, should be paid by society in accord with the logic of pay for social contribution. This is already envisioned by most advocates of socialism for healthcare and education. The same logic should be extended to child rearing - people engaged in that should receive pay for their labor from society.

There are of course many issues here. Determining the rate of pay for such work in the home would require social discussion, since one is doing childcare all night long when one sleeps, but the nature of the work is quite different from most other social work. Further, the nature of raising children and the nature of allocating adult human time to that activity will certainly change radically under any socialist system from childcare work as it exists today. Again, all those are details to be dealt with by the people involved. The point here is that raising the next generation is clearly a completely necessary social activity, and so it should be treated and recognized as such, and a non market system lends itself to doing that in a way that markets don't.<sup>19</sup>

#### IV. A Word on Transition

The above is offered only to respond to the common criticism that a workable socialist economy without markets is not conceivable. It is not presented as “the perfect human economy.” Humans living in such an economy would certainly try to create a still more humane economy. It would be a step forward in human economic evolution from capitalism, if not the only conceivable step forward, just as capitalism and other systems were steps forward (in certain dimensions) in their times. Along the same lines, it is clear that there would have to be some evolution from capitalism to the Democratic Planned Socialism. Here I will just pick one of the aspects described above to discuss as an illustration of how one would approach the issue of a transition to this DPS.

I have argued above that the socialist goal of material equality argues for equal pay for equal time worked. If a government committed to building Democratic Planned Socialism came to power tomorrow, clearly the large majority of working people would not be in favor of a strictly equal rate of pay for all socially useful work. It would be against the socialist goal of democratic self determination for a “benevolent government” to impose a strictly egalitarian wage structure on society against the wishes of the majority people. A simple procedure would be to begin with the wage scale as inherited from capitalism,<sup>20</sup> and then over the years raise the lower wages faster than the higher ones. Key to all this is that it must not be only some technical procedure such as just described, but it would have to be accompanied by society wide discussions on the importance of equal access of all to material resources that people can use for human development to the project of full human development for all.

## V. Conclusion

The broadest goal of Planned Democratic Socialism is human development. This requires conscious collective control of all the institutions one is part of, including the system for the production of goods and services used, i.e., the economy. This in turn requires a balance between direct democratic decision making for some economic issues, and parametric decision determination for others, where the decision rules for the latter are democratically determined. On the one hand, if one tried to democratically discuss out and vote on too many details of the process of production directly, it would leave no time for other dimensions of human development, and thereby thwart socialism’s central goal. On the other hand, given that people

will have different ideas concerning what to produce and consume, and how to distribute what is produced, conscious democratic social interaction is necessary if the socialist goal of humans consciously and collectively controlling the institutions they are part of is to be realized. People are not consciously collectively in control of an economy that is on “auto pilot” in the name of efficiency, an economy that claims to reach a social optimum without people really socially interacting to determine social preferences, a market economy. Enabling a fuller human development requires moving beyond markets to a democratic planned economy.

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## ENDNOTES

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1. Attacks on the dehumanizing effects of markets on people arose long before the modern socialist movement. While neither the decision making procedures nor the economic mechanisms outlined there have much relevance for today's debates, Thomas More's *Utopia* from 1516 was very clear on the debasing effects of markets on people. For a fascinating early Marxist analysis of this early anti market vision, see Kautsky (1888).
2. The name Democratic Planned Socialism is meant to distinguish it from the currently popular Market Socialism visions, and from the now largely discredited Bureaucratic Planned Socialism that existed in the USSR, China, and other similarly planned economies. The word "Democratic" is a shortened form of "Democratic and Participatory," and "Planned" is a shortened form of "Consciously Coordinated, Controlled and Planned." The more accurate acronym DPCCCP is just too clumsy to use, not to speak of trying to write out the full name in discussions on the socialist alternative to Market Socialism.
3. Different aspects of Laibman's vision can be garnered from these three articles. While Ollman (1979, 1998) does not attempt to provide a model of Democratic Planned Socialism, his writings on the inherent problems of markets in Market Socialism are important to the current debate as well.
4. Market Socialists recently have often replaced the standard goal of "equality" with "equity." (Weisskopf, 1992b) But if one considers humans to be of equal worth as humans, as we do in our assignment of one voter per person in the formal political sphere regardless of one's competence or efforts as a voter, then "fairness" is "equality." The whole reason for the switch, however, is to argue that the unequal distribution which markets inevitably generate is "just" (as long as it's not "too unequal"). I will stick with the traditional socialist goals of both political and material "equality."
5. By sub goal I mean a goal of socialism whose justification for being a goal stems from its purported contribution to the central goal of human development.
6. This paper cannot address details of proposed procedures nor would it want to, as there are various ways some of these could be carried out. Presumably the procedures would be implemented in reasonable ways. For example on this procedure, there is no reason to ask everyone every year to try to pick the exact percentages on all the categories they prefer, and then try to derive some social preference from those choices. Rather, each year people could begin with the levels that had been adopted for the previous year, and then vote simply on if they would like to see each level marginally increased, decreased, or left the same. Over time this would move the levels to the socially desired levels, and would allow the levels to adjust to changes in social preferences.
7. This of course would be essentially equivalent to paying the workers that same percent less in the wages than was created and simply having the government mandate the production of investment goods, social services, government services and collective consumption goods, and directly taxing the enterprises for the revenue.
8. Investment will be discussed below, but as is implied here, a collective social agency, be it "government" or "non government," will be responsible for investment.
9. In fact there would be no reason for any inflation, but that will be apparent only after I discuss below the manner of setting prices and the manner of paying wages.
10. In fact it should be called quasi-money or pseudo-money, in that it cannot do what money does in capitalist systems, enter the circuits of capital and participate in the process of transferring value created by laborers to owners of capital. For reasons of space I cannot here go into a full discussion the nature of quasi money in DPS. For simplicity and with this understanding of its nature I will simply call it money
11. While most socialist visions require that all decision makers be democratically accountable, including but not limited to being either directly elected or being appointed by someone who is, and one could certainly directly elect the heads of the planning agencies if one wanted to, there still remains the issue of the relation between direct elections, appointed representatives and direct participation, not only in all aspects of the economy but in all

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institutions in society.

12. Small work groups would presumably have their entire workforce in the worker's council while larger workplaces would need some form of representative democracy, as was the case in Yugoslavia. Channels for meaningful participation by layers of the workers beyond the representatives would also have to be built in to these worker's councils.

13. From Fuller, 1992, p 6, with minor changes.

14. This is of course a value judgment by society. I never cease to be amazed how deeply even most socialists buy into the capitalist value assumption that the labor time of different people is worth different amounts (here I mean their basic labor time, having to do with their work ethic, their drive and so on - education effects can be treated separately, though the real issue there is motivating people to educate themselves so they can operate more complex technologies). Inconsistently (in a broad sense), we all hold today that everyone deserves one vote, just for being a member of society. We hold this despite the fact that we know the "quality of the vote" by different people is radically different - some people invest a lot of their time to consider the issues carefully, while many others vote simply according to the ethnicity a candidate or how photogenic the person is during a pre-scripted appearance. Recall that this idea that everyone deserves the same vote is historically new - when voting began it was generally restricted to those who were supposedly qualified to vote, because of their education or some other reason (one's land holdings, one's gender or race, etc) that they were "objectively" more qualified to vote, yet today we would consider those defenses of inequality to be unjustifiable. While of course one can find differences between any two things involved in a comparison (if not, they would not be two different things), the point here is that it's a value judgment to consider the social contribution of an hour of labor by anyone in the social labor process equal to that of anyone else and hence give them an equal claim on the social product because of it, just as it's a value judgment to consider the value of anyone's opinion as expressed by a vote to be the same and therefore give each person the same one vote, yet many socialists today back the one and oppose the other.

15. In response to this pervasive criticism, neoclassical texts now almost all mention externalities, and most admit they pose a theoretic problem for the mainstream story. The formal neoclassical models then proceed to ignore them, with the explicit or implicit implication that since the results end up reflecting the real world (according to them - this is also rejected by critics, of course), the externalities must be infrequent or of secondary importance and therefore appropriately ignored for broad considerations. Critics stress that externalities are to the contrary pervasive, and point to the mushrooming environmental crisis as evidence that they are not of secondary importance.

16. Of course, a capitalist society could similarly pass such a law. But such a law in itself is outside the operation of the markets as markets, and represents an element of non market direct social determination, in this case of acceptable pollution levels. It represents an element of planning. Additionally, in a capitalist society governed by the drive for individual enterprise profits there is a strong impulse to try to evade such a law. A DPS society where enterprises and their workers view themselves as a part of the whole social process of production is built on an understanding of the need for such coordination by planning and hence there would be no drive to evade such laws.

17. For most capital goods, one can make a good estimate based on past capital goods of that type and knowledge about how fast that type of capital good is changing. But note there is nothing in the model that really requires that one accurately project when an enterprise will want to scrap a capital good. If the determined deprecation period is up and the enterprise finds the capital good still is useful in production, the good (now considered to be entirely depreciated, hence of no value) can be given to the enterprise to do with what it wants. The IC, which conceptually has to replace the now worn out capital good with another, now has received back as rents enough to purchase another capital good and give it to the workplace to work with. The IC thus always maintains its total value as the sum over the years of the values voted to be given to it each year. This sum at any time will be composed partly of money and partly of capital goods, where the value of each capital good depreciates over time from when it begins to be used.

18. To avoid one problem the Bureaucratically Planned economies faced, the economy will not run fully taut, and enterprises will maintain specified optimal levels of inventories of all outputs. If inventories start to drop, then the exchange price will be increased slightly. Since now that price is above the marginal cost, output will also be



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expanded, thus returning the inventories to their desired level (and avoiding the bottleneck that such a demand shock would have caused in a fully taut economy). If the demand change is permanent, it will yield a permanently higher price, and investment will increase to bring it down to the cost price. If it's only a temporary demand shock, then the inventories will start to build up once the shock ends, and reversing the above steps will return one to the original state.

19. Free health care and free education are possible even under capitalism supported by taxes, though they always exist in tension with the profit motive at the center of a market economy and generally are supported to the extent they are supported with arguments about externalities. Paying for child raising in the family cannot be argued for on that basis (better educated and healthier workers can be argued to increase output, but not well cared for children unless one stretches for `happier future workers'). In practice pay for home childcare is extremely rare in capitalist economies, reflecting the even greater difficulty of incorporating that into an economy whose focus is making profits.

20. Likely an immediate boost for the lowest paid workers would be socially acceptable, because the idea that anyone who works full time deserves a wage above the poverty line is already widely accepted.