



Democratic Planned Socialism: Feasible Economic Procedures

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1. 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 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)¹ been put forward by Devine (1988), Albert and Hahnel (1991a; 1991b), Cockshott and Cottrell (1993) and Laibman (1992; 1995; 1999).²

There are two key and differentiating elements in models of DPS: 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 space limitations this article will address only the latter, but that should not be construed to imply that the author believes that specifica-

1 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 DPCCCPS 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.

2 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.

tion of the coordination, control and planning procedures is more important to the nature of socialist society than determination of the procedures for decision making and participation.

Before one can discuss economic procedures (plus democratic and participatory procedures if these are also under consideration), one must specify the goals the procedures are supposed to further, to provide criteria for judging any proposed procedure against any alternative.

2. 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, and solidarity are the most commonly cited sub-goals. Other still more concrete goals have been 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 cited. Recently most socialist models, including the models of DPS referred to above, have included protecting the natural environment as an important goal.

3. Conscious Economic Coordination, Control and Planning

Here I will discuss 16 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 treatment, 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 DPS economy 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 de-

mand 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 most 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 their aggregate results, 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 (*e.g.*, national and local parks and other recreational facilities), and social services (education and health care are two major examples). 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.³

³ 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 a proposal to marginally increase, or decrease, each level, or leave it

Any 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.

For example, suppose people voted for 10% investment and 90% consumption, and for the division among current consumption to be 30% for social services, 15% for collective consumption, 5% for government operating costs, and 50% for 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, 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. 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 inflation⁴ and the devaluation of “money.”⁵

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 whether some decisions should be made in an enterprise (by workers’ councils) or at a supra-enterprise level by planners who represent 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 workers’ councils; and

Procedure 4. Sections of society larger than the workplace workforce must be included in any production decisions that significantly affect these larger sections of society. Such decisions will be made by

the same. Over time this would move the levels to the socially desired positions, and allow them to adjust to changes in social preferences.

4 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.

5 The money in use 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 of the nature of quasi-money in DPS. For simplicity and with this understanding of its nature I will simply call it money.

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. (From Fuller, 1992, 6, with minor changes.)

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 vs. decentralization. My model clearly contains both centralized and decentralized decision locations. The important issue is what the criteria are for deciding how centralized or 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 sought to achieve. Decentralization in this case 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 that 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 central/decentral 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 economic coordination in 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 will certainly 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 people to produce. In this sense, everyone's time is held to be of equal value. 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).

A major difference between this system and a market system enters at this point, and is particularly important to the ecological

destruction that is occurring today. As has been repeatedly observed by its critics, neoclassical economics largely ignores externalities. 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, 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.⁶ 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 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

6 Of course, a capitalist society could similarly pass such a law. But the 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.

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 that 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).

An important caveat is needed concerning the price mechanism just described, a second procedure motivated by concern with the rapidly growing environmental crisis. If the cost of a limited harvest good (such as fish or timber) is such that at that price the demand is more than can 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 taxes 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 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.⁷

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 would obtain under 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.

⁷ 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 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 bring a return to the original state.

This of course runs counter to the egalitarian Procedure 6. It is seen as something affecting only 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 these 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 do not.⁸

8 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 can be defended 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 the point to provide 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.

4. *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.” People living in such a society would certainly try to create a still more humane one. 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 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 transition to DPS.

I have argued that the socialist goal of material equality argues for equal pay for equal time worked. If a government committed to building DPS 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 of people. A simple procedure would be to begin with the wage scale as inherited from capitalism,⁹ 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 to the project of full human development for all of equal access for all to material resources that can be used for human development.

5. *Conclusion*

The broadest goal of Democratic Planned 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 eco-

⁹ 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.

conomic 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 people 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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