

## **Markets: Privatized and Socialized**

There has been considerable debate--and confusion-- about a set of related issues which include: The question of a planning alternative as perhaps the best or most realist alternative to market capitalism, the question of the nature of a market socialism, the question, within mainstream economics, of the appropriate understanding of markets, and the problem, addressed by Keynes and others, of a stable macroeconomy given fundamental assumptions in neo-classical price theory, and finally, the question of the relation of all of this to Marx's understanding of capitalism, including, importantly, the 'correct reading' of *Capital* and its relation, if any, to the so-called early writings on alienation. In her brilliant essay, 'Market Socialism or Socialism of the Market' (NLR Nov/Dec 1988, p. 3-44), Diane Elson has, it think, given the best account of these related problems. What follows is an attempt to state, in other words, some of the main features of her analysis.

### **A Simple Model of a Privatized Market**

Consider first a simple model of a privatized market. (This is not, it must be emphasized the model provided by standard neo-classical theory--for reasons which will be noted.)

Imagine an isolated island owned by one person. He owns, invests and controls operation on a plantation that produces sugar and/or pineapple for the world market. He determines his capacities, his 'costs' and fixes a price which would, if realized, yield him a profit. His employees (of different and hostile ethnicities) have no choice but to work for him or leave the island--at a considerable expense. Given that no technology available to other producers will not (fairly quickly) be available to him, he will be operating efficiently (and hence competitively).

He has a company store which is supplied by ships from the mainland. He buys from price lists, consumes what he chooses and resells to his employers who must purchase from him. The system is stable only insofar as world sugar prices allow our capitalist to produce sufficient surplus to reproduce his labor force. This obviously is constrained by a wage, classically, subsistence relative to the price of commodities, which he must purchase for use and reselling.

First, everyone is alienated since all are subject to 'market forces.' That is, commodities (including labour power) are fetishized (even if in the absence of alternative capitalists, it will be easier for workers to penetrate this.)

Second, workers are exploited even if for the same reasons it will be easier for them to see this.

Third, from the point of view of our islanders, no version of neo-classical theory will be compelling, even plausible. This is true of both commodity markets and labour markets. For them, neither a bargaining model, an auction model, nor a broker-organized market will be plausible. For them (including the capitalist), commodity prices are set and they merely react to them. Wages similarly are transparently determined by the capitalist who, in this case, holds all the power.

Fourth, there is a wide chasm between individuals as producers and as consumers. The workers produce sugar cane which is shipped to who knows where. From their point of view the goods in the store at which they shop might as well drop from heaven.

Fifth, from the point of view of our capitalist, the world commodities markets do not transmit any direct information about intentions, desires, and values; they only transmit information about the outcomes of decisions taken by anonymous persons scattered throughout the world. He is not sure, e.g., whether to plant sugar or pineapples and in what quantities. (It takes some three years from planting to mature pineapple.) His problem, of course, is a consequence of alienation and exhibits the 'isolation paradox.' The paradox arises, as Elson writes, because 'the choices that each of us considers appropriate for us are not independent of the choices which others intend to make, when the satisfaction yielded by the choice of each depends upon the choices that others have made' (p. 13). As regards the consumers in his store, they make choices--but he decides what choices they will have. His consumers are not 'sovereign.'

Sixth, the reproduction of the system requires that the decisions by all parties are restricted to 'piecemeal, marginal adjustments, but not to alternative states of the world.'

Finally, as a further consequence of atomization there is the incentive on the part of the capitalist to adopt risk minimizing strategies, e.g., by planting some sugar and some pineapple no matter what the current prices. In good years, he will hold money since it is flexible ('liquidity preference'). That is, money is also fetishized. If he can amass enough money, he may indeed decide to stop planting, fire his workers and reproduce himself by playing the stock market (casino capitalism). In our model, a decision of this sort, of course, throws the system into chaos since the rate of unemployment jumps to 100%. Not only is there no guarantee that Say's law will hold in our little economy, but considerable likelihood that the system will be very unstable, subject, likely, to continuous efforts on the part of workers to overthrow the system.

### **Real World Privatized Markets**

One might here ask, do actually existing capitalist societies approximate this model. With one major difference, to be noted, I think that they do.

First, all capitalist enterprises are pretty much in the same situation as our capitalist insofar as: (1) They are as atomized in their decision-making as our island capitalist and accordingly, will tend to operate with the same risk minimizing strategies. Of course, as part of this, they will seek to drive out competition, to control prices of their inputs, and to create specific demand, through advertising, etc. They will not, of course, be entirely successful in this. (2) They operate under the imperative of continuous cost-reduction (oligopolistic competition) and in 'fixed price markets.' That is, 'firms cannot set any price they like. But whereas buyers face given prices, sellers set prices, and the choice of price strategy is a specialist managerial function' (p. 7). As with our island capitalist, 'most manufactured goods are characterized by price lists which are changed from time to time, but certainly not daily' (p. 11). And (3), their profits (or losses)-- the problem of

realizing surplus value--turn on differences in demand and in price changes for all the other commodities (including labor) which they must purchase in order to reproduce capital. As in the model, commodities markets (national or global) do not transmit information about intentions, desire, values, and hence, there is inevitably uncertainty and worse, business cycles (even with persistent efforts of governments to stabilize.) If anything, in real capitalism, the incentive to withhold information, to hold money, and even, to abandon production in pursuit of more certain profit, is greater. In capitalist societies, of course, because there are many capitalists, this is sometimes not noticed (as it would be in our simple model!), even though, of course, it is a main cause of social problems. More generally, because real capitalists are alienated, there is a wide gap between micro and macro-rationality. That is, what seems rational for any individual capitalist may be disastrous for the system. For example, while it is individually rational for economic units to hold money, the flexibility thus created guarantees that the system will be volatile. Elson quotes Bhaduri: 'Paradoxically, holding money as an *individual's option* to cope better with uncertainty may fail as a *social device*, by magnifying the influences of uncertainty on current economic activities' (p. 19). Accordingly, there is no hope that Keynesian policies even supplemented with an incomes policy and price guidelines will be sufficient to keep the system stable.

Second, as class analysis shows, exploitation turns on the fact that the worker *must* sell his labour-power to some capitalist. The existence of many capitalists does not alter this--even if it obscures exploitation. It is true that with an extensive division of labor (and many labour markets), there will be wage differences and greater choices, but since there is competition among workers for jobs, it is only to the extent that there are labour shortages or that workers can face a producer collectively that wages will be above subsistence (relativistically defined.) In the real world, of course, capitalists will seek the cheapest labor markets. More generally, 'the conditions of production and reproduction of labour power [is] more and more determined by the accumulation strategies of large firms.'

The differences (just noted) between the model and actually existing capitalism lead to one important different consequence: Because in the real world, alienation is not easy to penetrate, unemployment, depression, inflation, etc. appear as inevitable consequences of 'market forces.' Revolutionary activity by workers is also in consequence very unlikely.

Third, the gap between producers (enterprises) and consumers (households) remains. Workers have only labor power to sell. Consumer sovereignty is equally a myth. That is, while the existence of many retail outlets for the purchase of goods does give the consumer more choice than what is available in our model, these are deeply constrained by producers decisions (privately made). So far as prices are concerned, the situation is more comparable than one might conclude: Even given his monopoly, our island storekeeper must sell his goods. Retail 'competitors' can get some short-term advantages through price-cutting (to the short-term benefit of consumers), but concentration--a consequence of competition--will guarantee a tendency for prices to vary marginally around the 'normal' ('market') price, established generally by the largest suppliers. As above, the gap between producers and consumers guarantees a micro-macro gap which Keynesian policy cannot close. Finally, to restate what I hope is quite obvious, all this is a consequence of the alienation of actors in exactly the sense that commodities are 'autonomous figures endowed

with ... a life of their own.'

### **A Simple Model of a Socialized Market**

Consider then a simple model of what is a socialized market. There are three producers, each producing a bundle of commodities. A produces selected agricultural food crops, Hawaiian music, and sugarcane. B fishes, grows taro and pineapple. C produces food crops, literature and accommodations for tourists. Although they do not need to exchange (since they are self-sufficient), each find advantages in exchanging. Each is a consumer of what the others produce and each is pleased to export surpluses at world market prices. There are no rents. The domestic market is 'made' by them. This involves only coming together with their products. (There are no other conditions which need to be satisfied, e.g., roads, communications, transportation, warehousing, etc.) Each establishes a value for his product. In the absence of money this is expressed as a relative value. E.g., A determines that a bushel of coconuts is worth two bushels of papaya. It does not matter how each arrives at this value since it but the starting point in the creation of the market (exchange) value. Critically, since the market is 'made' by them, it is impossible to either keep information from the others or to provide disinformation. Here 'information' includes knowledge of the availability of the sources, the relative difficulty in producing (picking, gathering, etc.) the commodities, average labour time required, uses of the products, etc. As explained by the neo-classical bargaining model, the (exchange) value emerges after a series of bilateral negotiations. This establishes a 'norm' which governs expectations for future trading.

It will be convenient here to introduce money which is merely *numeraire*. With money we can talk about the (market) prices of the commodities. *Ceteris paribus*, price = value = socially necessary labor time. Of course, prices can be either higher or lower than values as a function of scarcity, a shift in tastes (affecting demand), a change in the technical means of production of some commodity, etc.)

We can compare this situation with the privatized markets. First, there is no exploitation precisely because no one is coerced into exchanging. (*There are no labour markets.*) Second, there is no commodity fetishism precisely because the terms and conditions of production and exchange are perfectly transparent: the social relation between producers does not become the mystifying (but real) relation between things. Third, because there is no commodity fetishism, the 'isolation paradox' is overcome. The market is a continuous 'adjustment mechanism' since it transmits to buyers and sellers 'direct information about intentions, desires and values.' That is, as buyer and seller, my decisions reflect knowledge of my interests, the current price and availability of goods, and knowledge of what others would be prepared to do. Fourth, because labor is not a commodity (and hence not a fetishized commodity), labor is not abstract, but concrete. That is, producers are not merely 'factors of production' but concrete producers exercising qualitatively and quantitatively variant human powers. Fifth, since decision-making (as either producers or consumers) is not atomized and information is not restricted, there is no micro-macro rationality gap. That is, in the absence of alienation, when conditions of supply or demand change, the adjustment process will serve to adjust prices (as promised by neo-classical theory). There is, for example, no incentive to limit risks created by uncertainties produced by the lack of information,

the consequence of atomization. Sixth, it is not possible for money to become fetishized. Finally, although world market prices for exportable surpluses are given, their self-sufficiency precludes dependency, exploitation or alienation.

### **A Real World Model of Socialized Market**

The question then becomes: Can this model be generalized to a large modern industrialized society with an extensive division of labor? There are two main points to highlight.

We need to overcome exploitation of workers. This is not accomplished by (a) ceasing to 'take' from workers their surplus product or (b) realizing some fair distribution of the product (including realizing the formula, 'to each according to his needs, from each according to his ability.' As regards (a), in all societies workers create surplus which is appropriated. In precapitalist societies, this is achieved by direct coercion. In capitalist societies expropriation of surplus is mystified by means of the mechanism represented by the formula,  $M1 - C$  (where C is labor power)- Production-  $M2$  where the difference between  $M1$  and  $M2$  represents surplus value. (This, of course, presupposes alienation: that labor is a commodity and that concrete labor can be reduced to abstract labor--a factor of production whose 'value' is its marginal product.) With labor treated as a commodity, this would be as much true in a market socialism as in capitalism, a fact missed by Nove and almost everybody. Actually existing socialisms (non-market socialisms) overcome the market mechanism for mystifying exploitation, but they replace it with a mode of direct coercion, indeed, one that robs workers of incentives to exert themselves or to exhibit their human talents.

As Marxists so often say, exploitation is overcome when workers are freely cooperating. This means that their cooperation is secured neither coercively nor by means of mystification. This means ending alienation.

There are two steps to Elson's approach. First, households have access to basic income without being forced to sell their labour power to outside enterprises even when these are publically owned. "Their survival, at a basic but decent standard, should be independently guaranteed"(p. 28). If goods fell like mana from heaven, this would be sufficient. But our citizens will need to work if anyone is to have the basic income. Still, because they have the basic income, they are 'then able to exercise genuine choice about selling their labour power to enterprises, rather than being impelled to sell by necessity.' 'Genuine choice' requires the end of alienation, in particular here, de-alienating (or socializing) labour markets. Before developing this, we need to say more about alienation in general.

Fundamentally, eliminating alienation requires overcoming the isolation paradox and, as we shall, this requires satisfaction of a number of other conditions, including the elimination of private property. (In 1844 manuscripts, Marx argued quite clearly that alienation interconnected private property, division of labor, 'the connection of exchange with competition,' and money--even if later writers have failed to see the centrality of these texts and their relation to parallel texts in *Capital*.)

## Excursus on Planning and Markets

Mandel's planning model addresses alienation, but he fails to see that he misses. He sees that radical interdependencies of producers and of producers to consumers must be acknowledged. This is accomplished by putting all production, allocation and distribution decisions under a centralized coordinated plan--an *ex ante equilibrium*. On this view, the planners play the role of Walrasian auctioneer. If planners could do this, only the planner would not be alienated: Everyone else is as much in the dark as they would be in a capitalist market economy. *But it cannot work in any case*. Not only must the planner know more than he could, but things change through time, so theoretically speaking, the auctioneer could never close shop. Indeed, he never fixes a price! (a point made by the Austrian critics of general equilibrium theory). (Notice that at a fish auction, prices are fixed and the market is cleared--*every day*. One need not deny that the neo-classical model never fits!)

So the price for Mandel's solution is both unfreedom and failure, the result of an inadequate grasp of alienation and of the necessary incapacity of any planner (as Hayek rightly saw) to have all the critical relevant information. The problem is epistemological (or social?) not merely technical. Mandel sees (with Hayek) that privatized markets cannot achieve *ex ante equilibrium* because of the sequential disequilibrium character of real-time markets, the consequence of course, of atomization and changing requirements and information, but he supposes, wrongly, that a planner could do this.

If we are to overcome alienation, we need then to reject this ideal. Instead of the neo-classical general equilibrium goal, market clearing prices are rejected in favor of price norms (following Kalecki) 'that will encourage restructuring in the right direction through differential returns to different activities' (p. 38). That is, each of us as decision-makers must be have all the relevant information regarding our interdependencies if we are to act freely and cooperatively. (Compare Hirsch.) On this view (to be more completely filled in momentarily) price norms work to achieve continuous adjustment to changing needs and requirements, not to clear markets.

It is of considerable importance to notice that real markets do better in rational allocation than planned economies *not* because prices do what neoclassical theory says they do, but because by means of *decentralization* 'only a fraction of information about production possibilities and demand needs to be processed at any one time, in any one place' (p. 43). Whatever stability there is in capitalism depends critically on at least this much information being available. (This does not, we should emphasize, concede to consumer sovereignty.) It is the feature of decentralized knowledge that can be generalized and expanded in socialized markets. That is, because neo-classical theory fails to theorize alienation, it makes claims about prices which are simply false; but it sees, however dimly, that information is just what is needed.

In this regard and perhaps missed by Mandel, it is important to also to notice just what Marx set out to do in *Capital*. He offered a critique: an examination of the *presuppositions* of production and exchange in capitalism. He did not offer a competing analysis of prices; hence all criticisms

that (like classical theory) he failed to join use and exchange value utterly miss the point. Put very briefly, neo-classical theory would be true *if* it described a de-alienated system. Marx showed that it did not. (Neo-classical theory takes classical theory to be a price theory which, except for Marx, it is. It then argues that the 'problem' of relating use value and exchange value, unsolved by the classicists, including Marx, is 'solved' with the idea of 'marginal utility' generalized so that factors of production, iron or fertilizer, oil or labour, have a 'use value' in the new sense. On the neoclassical view, since they acquire indices of economic significance based on the same principles of rational choice as operate on the consumption side, the allocation of factors of production falls under the same principles as the 'demand side.' Indeed, the distribution of both costs and incomes falls under the same principle. (Samuelson won the Nobel for his generalization of this: 'A note on the pure theory of consumer's behavior, *Economica* (1938).)

### **Socialized Markets and The Overcoming of Alienation**

Elson suggest a number of institutions which should realize the end of alienation. Altering her order, let us consider first, a concrete instance of a socialized market.

As she says, a socialized market is made by public bodies, not private ones. What does this mean? Compare here two services (realized perhaps by a PC with a modem). One provides a selected list of manufactured TV sets. It includes price information, information about features of the sets but no information on costs. The service is 'made' by a firm whose aim is profit. It has negotiated with manufacturers to retail their sets at a profit to them. The service can also provide some savings at least on some items to buyers.

The other service is 'public.' It is 'made' by a public commission and funded by taxes to do the very best job that it can to provide information on manufactured TV sets. It includes a full list of sets, complete information on how the price of each was fixed, including how markups and costs split at each point in production. It gives information about environmental implications and safety and it gives information about the quality of the sets, including results on standardized tests.

Of course, this 'public market' is quite impossible unless there is access to this information and, of course, this is quite impossible in capitalism. Socialized markets presuppose that production is *consciously* socialized. But this presupposes the end of private property.

In order, then, to have socialized markets, there would be no private ownership of the means of life. There are many good reasons to do this. The prevention of income inequality is *not* one of them. Indeed, income inequality is likely desirable--as a feature of the incentive system (below). This point is seen by defenders of market socialism who defend markets on grounds that they provide incentives for work and creativity. But these writers do not appreciate that eliminating private property is not sufficient to eliminate alienation, that markets must be socialized.

Nor is our main concern here the effects of private property as a means of power. While surely it is a means of power, we know (from sad experience) that statist analogues can be much worse. At least, there is some decentralization of power in capitalist economies. As we note in a moment,

socialist markets will require decentralization of property rights. But as regards the present issue and always overlooked, the primary aim is to establish structural conditions which minimize barriers to information disclosure and transfer. For obvious reasons, private property in the means of life provides an incentive to secrecy. (Here Giddens's distinction between pre-capitalist societies which are class divided and capitalism which is a class society is useful: in capitalism, class is a structural principle of its reproduction. We need to overcome this. See esp. *Constitution of Society*, pp. 180-206).

Instead, then, of private property in the means of production, there would be 'public' enterprises which are 'worker' managed. Socialized property must mean that it is not 'owned' by anyone, but that there are well established rights of access and use. (For a general discussion, see especially C.B. Macpherson, *Democratic Theory* (OUP, 1973), esp. Essay III). 'Worker managed' means that enterprises are 'controlled' by pertinently qualified personnel who function much as they do in well-managed firms--except that there will not be incentives to control information. Firms are not engaged in seeking competitive advantages over other firms so that their self-interest is served by sharing information.

With socialized markets, nothing is either 'owned' or 'controlled' by the state, either by 'officials' or representatives or the 'worker's party.' These managers will set output targets and allocate inputs. To recur to our earlier example, TV manufacturers will have access to continual inputs to our public consumers market, including (what is now available through bar coding), information on 'the velocity at which brands move off shelves.' Similarly, they will have access to other public markets which are providing information on parts, etc. They will do what they can to reduce labour costs per unit through better purchasing, organization of production, additional technology, etc. Surpluses could be realized in the form of bonuses or time off.

There are labor markets also, but these too are socialized. Workers still 'sell' their labor power. It will still have a price. Indeed, if the system is to function rationally, it must. As the neoclassical theory insists, 'no price system can produce a rational system of resource allocation if prices do not cover current costs and future investment needs.' Labor remains a cost of production. What is different, however, is that the prices of labour power (as all prices) are not determined--opaquely-- by private markets, but openly with full information. *This is the key difference between economy of use values vs economy of exchange values.*

Workers (and everybody, including elected officials, is a potential worker) would have access to employments available, conditions of employment, credentials and training required, and of course, current wages for the jobs. Elson offers that wage norms would 'proceed through democratically controlled job evaluation exercises and could be revised annually...' (p. 36). Of course, all the commissions which organize and supervise public markets would be democratically controlled, but she does not suggest criteria for income differentials. This is an important point. There is no reason, it seems, not to hold that these would vary around a price norm set on the basis of continuous information of demands and responses. That is, the key criteria for establishing price norms for labour is not (the mythical? marginal productivity of labour) but the price incentive to get people who are qualified to perform jobs in demand. That is, since wages are not determined

under conditions of alienation, incentives will be the center of the wage system *without* the need to reduce concrete labor to abstract labour. Because I do not need to work in order to live, I can choose to work so as to maximize my interests, either monetary or human: good pay or a good job. In a rational incentive system, dull jobs which require minimum training and skills may well pay more, not less. In other terms, since the motive is not profit and workers are not 'factors of production' but producers of social wealth, the rational 'cost' of labour is not defined in terms of exchange values, but in terms of use values.

This, of course, completes the argument regarding alienated work and worker exploitation. There is, it must be noted, *nothing utopian about this scheme*. Grant that we have presupposed that most people will choose to work. Three considerations suggest that this is not a terribly strong assumption. First, the system provides individual (selfish) incentives to work. Second, it will be clear that everyone's standard of living depends upon the level of social wealth that the society is capable of producing. Third, as Marx insisted, there is a world of difference between alienated labour and labour. What is striking is the value that people gain from work which *is* alienated: work which is (a) not the expression of 'need,' (b) not freely undertaken and (c) whose product does not redound to the worker! (Cf. 1844 Manuscripts.)

(It is illuminating perhaps to compare the foregoing to the sort of marketization which has been proceeding in China. First, labour is unfree; hence workers have no interest in work. Because workers are guaranteed employment by the enterprise, managers must seek cooperation by being the best provider. Second, because responsibility for housing, facilities and other benefits rests with party-managers, there is no incentive to reduce costs. Quite the opposite: managers seek to maximize 'enterprise wealth' by 'maximizing inputs, including raw materials and means of production, labour, wages, and state-supplied capital--little concern for efficiency (productivity or demand (the market))' (Smith, 'The Chinese Road to Capitalism,' NLR (1993)). Third, because of this, there is immense incentives for disinformation. Fourth, success depends upon the cadre's rank in the hierarchy and not on economic considerations. They therefore design strategies to enhance political influence. Finally, producers do not have to go through the market to sell in order to buy.)

### **Other Institutions**

Elson suggests a number of institutions which would have critical tasks and responsibilities. There would be a Regulator of Public Enterprises whose task would be to 'exercise property rights over the enterprises on the behalf of the community.' As many have noted, social property requires as developed a legal system as private property. Economies in transition find that 'de-stated' wealth is as likely 'to end up in some sort of insecure legal limbo'(Leijonhufvad, p. 126).

The Regulator of Public Enterprises would act to approve or deny requests to establish a new enterprise and to close an enterprise which was failing. Both are absolutely crucial. With information widely available, there will no doubt be individuals and groups which see an opportunity and want to realize it. Indeed, as a private bank, the Regulator would examine the proposal, assess it and fund it (charging appropriate interest) if it had merit. On the other hand, an enterprise that was failing would not be allowed to continue. Here again, as a bankruptcy court would act, its

problems would be assessed and recommendations made to restructure or to close down.

Mainstream theory puts enormous emphasis on the risk-bearing nature of entrepreneurship. But as is clear enough, for large corporations the risk is purely mythological. (There is, of course, a risk factor for small businesses.) But the idea of entrepreneurship is critical. Largely absent in non-market economies, there is no reason for it not be present in a socialized market economy. There are incentives for all workers to be creative, and, absent in privatized markets, there is a wealth of information. One could easily imagine a team identifying a demand, organizing themselves and then seeking to fill the need.

There would be a Wage and Price Commission which would supervise socialized markets, establish accounting standards, and guarantee openness as regards information. Obviously, considerable resources would need to be committed, but as she notes, capitalist societies now commit considerable resources to market research, advertising, etc. In a public system, because of economies of scale, transaction costs would be considerably reduced.

Of course, there is still room for corruption. But the real question is whether socialized markets structure greater or less opportunities for corruption? Short of some historical experience, there is, of course, no way to know. Still, there are all sorts of reasons to believe that the profit-making goals of capitalism along with highly privatized system of appropriation fosters corruption at every level. As regards information sharing, e.g., as Elson notes, with no capital market for buying and selling enterprises, 'there is more likely to be recognition of the mutual benefits of information sharing' (p. 43). Indeed, in the absence of alienation, there is some hope at least, that people would be keenly sensitive of the need to guard their hardwon institutions.

### **Coordination and Micro/Macro Rationality**

The coordination required is not, as in planning, an *ex ante equilibrium*. Rather, as in (real) capitalist market economies, the coordination is (largely) market produced, *ex post*. That is, decisions are decentralized and, information is gathered and processed in separate bundles at discrete intervals. With socialized markets, of course, information includes a host of data already available to producers, suppliers and retailers. But since these markets are socialized and thus transparent, atomization has been overcome. Decision makers do not operate in the dark; the market is not blind. As in the simple model, decision-makers make direct connections to the wishes, aspirations and values of others. In consequence, as in the simple model, there is no micro/macro rationality gap. There is no pig-cycle; there are no interruptions in the circuits of production/ consumption caused by uncertainty and shifts in liquidity preference. As envisaged by Say, because there is no gap between producers and consumers, there is little likelihood of deficient demand. Instead of cycles of depression, inflation or stagflation, there will be a more or less even movement of the economy in directions decided by consumers.