

# **BEYOND SOCIALISM AND CAPITALISM:**

## **The Developmental Society**

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### **FOREWORD**

This topic cannot be treated adequately in a paper, even a long one such as this. In it I can only suggest some of the major features of a possible "third way." Each of these features requires a great deal more discussion and thought than I can give them here. But my purpose is not to end discussion but to initiate it; it is not to produce agreement but to stimulate an effort to reach it. This is very much a work in progress.

### **INTRODUCTION**

In this paper I address the following question: Is there a way of organizing society so as to induce more social and individual development than either socialism or capitalism have? Of course, socialism and capitalism are not rigidly defined ways of organizing society but classes of ways. There are many variations of each, as there will be of any "third way."

Development is a property of society that can be characterized on a scale running from undeveloped (or less developed) up to well (or highly) developed, with many intermediate states. The level of a society's development is the level of its ability to satisfy the needs and legitimate desires of its members and larger systems that it is part of together with other societies it contains. Development is an increase in competence. Legitimate desires are ones that when satisfied do not deprive others of their ability to satisfy their needs or legitimate desires. Development is a matter of learning that is manifest in the quality of life that can be realized — in contrast

to growth that is a matter of earning that is manifest in the standard of living that can be realized. Development is not a matter of how much wealth society has but of how much it can do with whatever it has. Being without resources precludes growth, but not development.

I cannot think of a single country that has risen from a low to a medium level of development with a capitalist economy. Nor can I think of a single medium developed country that has become well developed using a socialist or communist economy. Even if this observation is only approximately true, it is very significant. It suggests that neither socialism nor capitalism is effective at all stages of societal development. Furthermore, I believe that at no stage are they the most effective way of organizing society. I think of them as thesis and antithesis. Therefore, there must be some kind of synthesis. It seems to me that we have enough instances of their failures to produce continuous development to have the basis for designing something better.

Furthermore, and more significant, is that the kinds of development both socialism and capitalism produce leave a great deal to be desired. In general, socialist economies have been better at distributing wealth than at producing it. In fact, many of them consume more wealth than they produce and therefore, end up distributing poverty. The equitable distribution of poverty is not an acceptable social objective. On the other hand, well developed capitalist countries are much better at producing wealth than at distributing it. The maldistribution of wealth and income in these countries is alarming and getting worse. In the United States just under 40 million people are living in poverty, many times the size of Sweden's population. In fact, out of 192 countries 162 have a population less than the number living in poverty in the United States.

Moreover, the children of parents who live in poverty in well developed countries are much more likely to live in poverty than children of the affluent. Poverty has become a socially inherited characteristic in many well developed capitalist countries.

Certainly most, if not all, well developed countries have a market economy and are usually, but not necessarily, democratic. On the other hand, poorly developed countries tend to be autocratically governed. However, there have been democratic socialist societies and ones that are autocratic and capitalist. The scale autocracy-democracy has to do with the *political* functioning of a society; the scale socialism-capitalism with its *economic* functioning. These scales are like the two sides of a coin; although they are different and can be viewed and discussed separately, they cannot be separated. They are interdependent. To get beyond socialism and capitalism we also have to get beyond democracy as it is currently practiced. As currently practiced it is far from ideal.

## DEMOCRACY

An ideal democracy would satisfy three conditions:

1. *Everyone who can be directly affected by a decision would be able to participate directly or indirectly in making that decision.*

Indirect participation would take place through representatives selected by those directly affected. Those children or adults who, although potentially affected by a decision, are incapable of understanding the issues involved, would be represented by people selected by those responsible for their welfare.

2. *Anyone who has authority over others taken individually is subject to the authority of the others taken collectively.*

There is no ultimate authority in a democracy; authority is not linear but circular. The government has no top or bottom.

3. *Anyone or group can do whatever it wants provided that doing so does not affect others. If it can affect others, those who can be affected or their representatives must agree to the action.*

All human rights derive from this principle. Freedom does not include the freedom to reduce the freedom of another unless that other is trying to reduce the freedom of others. Those who deprive others of their freedom can be deprived of theirs.

When the government of the United States was formed it met these conditions with two notable exceptions. The largest city in the United States at the time its constitution was enacted was New York with a population of 32,000, Philadelphia came next with a population of about 20,000. There were only a dozen cities with a population of more than 10,000. The entire country had a population just over two million. To a large extent, its small communities were governed by town meetings. Today New York City alone contains more than four times as many people as the entire nation did when its democracy was designed. That design has not adapted to changes in the nation's size, among many other types of change.

No wonder many individuals do not believe their votes are significant because they are such a small part of the voting public? Seldom do as many as 50% of the electorate vote in local, state, or national elections. No American president has ever been elected by a majority of the eligible voters., at least since I became eligible to vote.

From the very beginning many so-called democracies deprived many identified by race or sex, and in some cases, religion of the right to participate equally. Segregation and discrimination against minorities, and in the case of sex, majorities, is still rampant in many alleged democracies.

It is apparent, then, that even in well developed countries there is a great deal of improvement possible in both the distribution of income, opportunity, and the ability to participate in societal decision making.

Transformation of a society is very difficult, particularly when there is no shared vision of what the transformed society should look like. A vision of a society with a political-economy more desirable than any currently available is

difficult to formulate because of the constraints real or imagined imposed on our thinking by the current states of affairs. Therefore, if we want to formulate such a vision, experience has taught us that we must assume the current system was destroyed last night and that we are free to replace it with whatever system we want, without constraints other than those imposed by the environment in which it would have to operate. If we do not know what we would do if we could do whatever we wanted, how can we know what to do when we can't?

To be sure, if we could redesign the world we would design even better societies than we can accepting it as it is; such constraints as the need for military forces, the presence of multiple currencies, espionage, customs inspections, and restrictions on immigration and emigration would be removed. But I do not undertake redesign of the world here, only of society within the world as it exists.

A design that is unconstrained except by its environment I call "idealized," not because it is ideal but because it is *ideal-seeking*. It is *not* utopian because it is designed so that it can be improved over time. Unlike Plato's utopian Republic, an idealized design must provide a dynamic vision, one subject to continuous modification and improvement.

The design of a society beyond socialism and capitalism presented here is divided into the following parts:

- Governance
- Citizenship
- Elections
- Operations and Functions of Government
- Consensus
- Debureaucratizing and Demonopolizing Government
- Taxation

Public Decision Support Systems  
Welfare and Poverty  
Equitable Educational Opportunity  
Equal Access to Health  
Ownership and the Production of Wealth

### **GOVERNANCE (Table 1)**

The basic unit of government would be small enough to provide an opportunity for meaningful participation by *all* its qualified members. Each basic unit would form a committee-of-the-whole that would govern through "town meetings." The basic (level-1) political unit should contain no more than about 100 qualified voters, for example, a residential block in a city, or a very small village.

Each basic unit would elect a leader from among its members. The leaders of no more than ten contiguous basic units would form the next level (2) unit of government. Level-2 units would be accountable for and responsible to their constituent level-1 units. Leaders of the level-2 units would in turn form level-3 units, and so on to an all-inclusive national unit. The all-inclusive unit would represent the society as a whole, but the basic units would be the ultimate source of authority and resources. I call such a structure a *lowerarchy* because it flows from the bottom up and as such contrasts sharply with a hierarchy.

Members of the basic units would select the heads of units at each higher level. Every level of government would consist of leaders of its constituent units. One who is elected leader of other than a basic unit would be replaced by another elected representative of the unit from which he/she came. For example, if a leader of a level-1 unit is elected head of a level-2 unit, a new leader of the level-1 unit would be selected.

The leaders of every unit, regardless of level, would be elected (in a way described below) by the qualified members of all the level-1 units from which all other-level units would be derived. This means that all eligible voters would be able to participate in electing the leaders of all the units of which their basic units are part. Each unit would nominate at least two of its members for its leadership. Other officials, such as heads of functional units (departments) required at each level of government, would be selected by members of the unit to which they would be attached. Salaries and conditions of employment would be established by the units to which they were attached.

Elections would be confined to the selection of heads of units. Therefore, the number of positions involved in elections would be considerably lower than is currently the case in many countries.

The leaders of units at every level except level-1 would be expected to take part in meetings of its closest constituent units. For example, the leader of a level-2 unit would attend the meetings of all its constituent level-1 meetings; leaders of level-3 units would participate in meetings of all of their constituent level-2 units.

The leaders of units at every level except the all-inclusive level would also be expected to participate in meetings of the unit of which the one they lead is a constituent. For example, the leader of a level-2 unit would participate in the meetings of the level-3 unit of which the level-2 unit is a part. This means the leaders of all units, except those at the extremes, would participate in units at three different levels: their own, their closest constituent units, and in the closest unit of which their units are a part.

Therefore, all unit leaders — except those of basic units, the most inclusive unit and the units that report directly to it — would interact directly with leaders or personnel of *five* different levels of government: two above their own level, two below, and those at their level. Those at one level removed

from the most inclusive unit would interact with leaders from four levels, and those at the basic unit with three levels of leaders and one of ordinary citizens.. Such interactions would facilitate the coordination of plans and policies made across each level and integration of these made at different levels. This design would also reduce the conflict that stems from the decisions made at one level that affects other levels, above and below, without their involvement.

If the basic units contained about 100 qualified members, and level-2 units were formed by bringing together about ten basic units, and so on, the number of people represented at each level would be approximately as shown on Table 3.1. These numbers are not absolute. Several considerations would affect the actual number and size of units, for example, the density and dispersion of the population. In some places, a hundred people might be spread over a very large area. On the other hand, a city block with one office building may house thousands of people. In this case, floors or smaller areas could be designated as basic units.

Those who work in an area where they do not reside — for example, an area containing a mall, a museum, or office buildings — would be members of the basic unit governing that area. People with several homes in different locations would be able to participate in the governance of each basic unit in which they have a residence or primary place of work. However, individuals would only be able to vote for unit-leaders in the unit in which they have their principal residence. Most people reside, work, and play in different locations. Their participation in governance would not be limited to their place of residence.

Any unit other than the all-inclusive unit would be able to secede from the unit of which it is a part with approval of three quarters of its voting membership. This may involve costs to the larger unit from which it secedes. For example, the larger unit from which the smaller unit seceded might have to establish custom and immigration stations on the border of the seceded unit. The



seceding unit should pay these costs. If in dispute, the amount and method of payment would be settled by negotiation or arbitration conducted by a party acceptable to all the units involved. The costs of these services would be covered by all the units involved.

Population	Unit Level	Adult
	1	100
	2	1,000
	3	10,000
	4	100,000
	5	1,000,000
	6	10,000,000
	7	100,000,000
	8	1,000,000,000

**TABLE 1. POSSIBLE UNIT SIZES**

### **A Corporate Example a Lowerarchy: Visa**

A lowerarchical structure has been approximated in several private organizations, of which Visa is an example.

An example of a radically decentralized organization in which the ultimate power rises from the bottom is Visa, whose users are its owners. Dee Hock, Visa founder, calls this company an "inverted holding company." Rather than one company that owns numerous others, Visa is a company owned by the banks and other institutions that issue Visa cards. They are simultaneously its owners and its customers. In many cases, they are also its suppliers.

The Visa organization was consciously designed as a "federal" system and includes a series of regional, national, and international organizations, each with its own members and board of directors. Each organizational level receives its power from the levels below rather than from above. Decisions are made by votes at the various board levels, especially with a sixty-to-ninety-day cycle for an issue to pass through all levels. For instance, Visa members have voted on a service charge to themselves for all Visa transactions and certain other transaction fees for processing services, if they choose to use them. However, the member organizations are free to use any Visa product, to leave the whole Visa organization if they so choose, and to offer competing products. (Malone, 1997, pp. 30-31.)

## **CITIZENSHIP**

Ideally, a society should include as citizens all who reside in it legally and obey the law. This implies borders open to legal immigration. A legal immigrant would be one (without a criminal record as defined by the country to which they want to emigrate) who have either (1) a commitment from an employer who assures their ability to support themselves above the poverty level as defined by the receiving country, or (2) a commitment from a person or an organization in that country which is ready, willing, and able to support them for at least one year, and (3) a suitable place in which to live. The only exceptions would be persons seeking political asylum or who are attempting to escape from persecution.

Temporary residential and work permits would be issued to short-term foreign students and employees, such as migrant farm workers and visiting professors.

To assure a nation's awareness and responsiveness to the significance of emigration as evaluation of its service to its members, it would be required to provide emigrants with transportation to their selected destinations. This

would stimulate national governments to serve their members as well as possible.

Publicly provided services that are costless to recipients would be restricted to legal immigrants. Immigrants who have not obtained citizenship or engaged in the process of obtaining it within two years after entry would be returned to their country of origin. The test for citizenship would include one for literacy in the country's dominant language.

The freedom to emigrate may well be the most important human right because it can be the act of last resort. Furthermore, relatively free flows of people between societies would provide valuable feedback to them on their performance. Movement from less developed to more developed societies would produce a more equitable world-wide distribution of wealth and quality of life.

## **ELECTIONS**

The failure of a majority of eligible voters to vote is largely due to their belief that either none of the candidates are good enough or there is no significant difference between them. In some cases — for example, minor elections — eligible voters know nothing about the candidates. Participation in elections could be significantly increased if at the bottom of each ballot there would be an entry, *Someone Else*. To vote for *Someone Else* is to register a protest against the set of candidates offered. If *Someone Else* received a plurality of the votes cast, new candidates would have to be selected and the election rerun at a cost incurred by those who nominated the defeated candidates or the candidates themselves. An amount sufficient to cover this cost would have to be placed in escrow before the election on behalf of each candidate. These deposits would be returned to those who posted the deposit for every candidate who received more votes than *Someone Else*. These requirements should improve the quality of candidates seeking public office.

Despite these changes, many eligible voters might still be unwilling to vote. Voting should be treated as an obligation which if unfulfilled would require non-voters to devote a specified amount of time to social service. The principle should be: If one does not fulfill an obligation to society to vote, it should be fulfilled in some other commensurate way.

All candidates for office at every level above the basic units would be required to make public their tax returns. Furthermore, these elected at any level would not be allowed any privileges or perquisites not available to their constituents without explicit approval of their constituents.

Political parties would be permitted, even encouraged, but they would be required to publish their platforms and post the deposits for their candidates. Platforms should be more than a group of platitudes. They should include a statement and justification of objectives, the means to be employed in pursuing them, and the amounts and types of resources pursuit of the objectives are estimated to require.

Formulated platforms would be required of unaffiliated as well as affiliated candidates for office at all levels. All candidates would be required to identify all special interest groups with which they are affiliated. An elected official who failed to fulfill his/her campaign promises, or failed to make a significant effort to fulfill them, would be subject to recall by the electorate.

*All election campaigns would be publicly funded, each candidate at each level would receive the same amount of financial support, and equal access to communication media. No candidate would be permitted to use any additional funds or access to communication media. Every candidate would have a location on the Internet to which questions could be sent. The candidates' answers would be recorded there along with the questions so as to be accessible to all voters.*

*The duration of campaigns would be limited to two months and candidacy for an office would not be allowed to be announced earlier than three months*

*before the election.* Candidates would be permitted to discuss only their platforms, how they intended to improve existing conditions if elected. A non-partisan campaign board would be established to insure that campaign messages would be constructive, not devoted to denigrating opponents. This board would give one warning for negative campaigning; repetition of a violation would automatically disqualify a candidate.

All terms of office would be six years. One third of the members of every legislative body would be elected every two years. No one would be able to be elected to the same office more than once, hence hold it for more than twelve consecutive years.

## **OPERATIONS AND FUNCTIONS OF GOVERNMENT**

Level-1 units would be able to do whatever they wanted as long as they had no effect on other level-1 units. If what they wanted to do could affect one or more of these units, the approval of the units affected would be required before they could do it.

All but base units would only be permitted to act on issues authorized by their constituent units. *All power and resources would flow up from level-1 units to other level units, not the other way around.* It is for this reason that we call this type of organization a *lowerarchy*.

Units at one level may, for example, decide to run their own schools but delegate responsibility for police and defense to unit(s) at a different level. Whenever a responsibility is delegated, the units doing the delegation would, with one exception, have to provide the resources required to carry out the delegated responsibility. The exception would be when the units that provide the service were authorized to charge for it. As many publicly provided services as possible would be available on a fee-for-service basis. For example, a unit authorized to provide water to members of its constituent units could be authorized to charge those who receive the water. Clearly,

consideration of effectiveness and economy would be involved in all decisions to delegate.

Publicly provided services would tend to settle at the level at which they could be effectively provided at the lowest cost. It follows, then, that units other than those at level-1 would have two potential sources of income: disbursements from constituent units and from direct charges for services they provide. All taxes or changes in taxes would have to be approved by a majority of the basic units affected. Taxes would be collected by the unit that imposed them. Other than base units would be permitted to retain only enough money to carry out the functions authorized by their constituent units. The remainder would be disbursed on a per-capita basis to their constituent base units.

Budgets of all units would require approval by their constituent units. Units would be able to pool their resources to provide or obtain jointly desired services or facilities, such as trash collection, road maintenance, defense, or police and fire protection. Units at any level could be permitted to charge for a service it provides but only with approval of its constituent base units. If there were alternative sources of a publicly provided service, the public unit that provided the service would be required to charge for it and users would be free to use alternative sources. This would assure efficient public provision of services and responsiveness to users.

Units at all levels would operate like a parliament and their elected leaders like prime ministers. That is, the units would make plans, policies, laws, and regulations, but would not execute (implement) them. Unit leaders would be responsible for their implementation. However, every unit would be responsible for monitoring and auditing the performance of its leader.

Each unit would be responsible (1) for seeing to it that the plans, policies, laws, and regulations of its constituent units were coordinated and (2) for resolving any conflicts that arose between them. In addition, no unit would

be permitted to make a plan or policy that would be inconsistent with a plan, policy, law, or regulation made at a level of which it is a constituent without its approval. However, conflict or disagreement between levels would be unlikely to occur because each unit would contain unit members of both two more aggregated units and two less aggregated units; these members would reveal potential sources of conflict or inconsistency. And for the same reason few plans or policies would be likely to be made that had unforeseen negative impact on more basic units.

## **CONSENSUS**

Decisions made by the majority in a decision-making body often create a dissatisfied and poorly served minority. Most tyrannies are imposed by majorities on minorities. Decision making by consensus avoids such abuse but it is incorrectly assumed to make reaching a decision very difficult, if not impossible. This is not the case because consensus only requires complete *agreement in practice, not in principle*. The distinction is critical. *Agreement in practice is agreement to act in a specified way*; it does not require that the approved action be thought by all to be the best possible, only that it be good enough.

When consensus is not reached, an attempt should first be made to design a test of the different positions held, a test that all the participants accept as fair and to the outcome of which all participants are willing to abide. In many disagreements the differences of opinions is based on different perceptions of the facts of the case; for example, when a difference over the desirability of capital punishment can be reduced to the question of whether or not it reduces capital crimes.

Consensus cannot always be reached through discussion and, in such cases, a test is not always feasible or practical. If agreed to by the participants, the chairperson of the unit can employ the following procedure. Once it is apparent that agreement is not being reached, the chairperson

asks each participant to summarize his/her position succinctly. When this is completed the chairperson reveals what choice he/she would make if the decision were his/hers. However, the chairperson makes it clear that if the others reach agreement, even if it differs from his/her position on the issue, he-she would accept it and act accordingly. Then the chairperson goes around the room once again asking for each participant's opinion. If two or more participants disagree, then, in effect, they agree on the chairperson's position. If they reach agreement, regardless of what the chairperson prefers, their agreement becomes the basis of action.

Other methods for seeking consensus are discussed by (Lee, 1995) and Walls and Walden (1995).

#### **DEBUREAUCRATIZING AND DEMONOPOLIZING GOVERNMENT**

Service organizations (in or out of government) that are subsidized, and therefore do not depend on those they serve for their income, tend to be unresponsive to those they serve. Such servers are generally more concerned with the opinions of those who are the source of their income, their subsidizers, than with those of their users. If, in addition, such an organization is the only permissible source of the goods or service it provides — as government departments frequently are — it is a *monopoly*.

The performance of monopolies cannot be evaluated by the responses of consumers who have no alternative source of supply. They are usually evaluated by their size; the larger they are the more important they are assumed to be. Therefore, they try to grow, often through make-work — work with no useful output. A bureaucracy is an organization that tries to keep busy doing nothing useful. Unfortunately, although "make-work" has no useful product, it often obstructs those who have productive work to do. "Red tape" is such an obstruction.



The combination of bureaucracy and monopoly usually results in the worst possible service. Unfortunately, many government service agencies are bureaucratic monopolies. If government service agencies are to be productive and consumer-oriented, they must be de-bureaucratized and de-monopolized. This can be done in the following ways.

1. *Wherever a public service can be provided by one or more private sources, the public source should be required to compete with private sources for the right to provide the service and, if this right is awarded to only one, the award should have a relatively short duration after which bidding for the right is re-initiated.*

This will prevent any service source from becoming complacent and unresponsive to its users.

2. *Potentially competitive service sources should be requested to submit proposals for the right to provide these services. These proposals should be opened and revealed to the public.*

This would prevent any "hanky-panky" in awarding contracts.

3. *Where possible, consumers should be required to pay directly for the services they receive.*

This would assure responsiveness to consumers as long as there are alternative sources of supply. Also, it would make usage by consumers more rational than if the service costs were hidden. It also eliminates the need for benchmarking. Every server operating in a competitive environment would be aware of how their competitors are performing.

4. *Where consumers are not able to pay for the services they need, they would be subsidized, not their providers.*

Again, as long as there are multiple sources of supply, making income dependent on consumers' choices would keep a system responsive to its consumers. This is the principle used in the United States in issuing food stamps.

5. *When a service must be provided by a government agency, create as many different public sources as possible and make each dependent on consumer choice for its survival.*

For example, in one Latin American city a centralized licensing bureau was notorious for its poor service and corruption. As a result, the mayor was subjected to considerable pressure to improve it. He turned the problem over to an external consultant who came up with the following solution. Licensing bureaus were opened up in store fronts all over the city. Those wanting a license could apply for one at any of them. However, the only income a service center received was a fee from the city for each license it issued. Any unit that failed to issue enough licenses to cover its costs of operations would be reduced in size or closed. This arrangement brought an end to monopoly and bureaucracy. The quality of the service improved dramatically and corruption was virtually eliminated.

6. *Where more than one public source of a service is available, they should be permitted to engage in price competition. Price fixing would not be permitted.*

For example, if multiple bridges cross a river connecting two cities, these bridges should not be required to charge the same tolls. This would intensify competition that serves the consumers' interests.

7. *Where a public supplying agency must be subsidized, the subsidy should be based on the amount and quality of service rendered.*

For example, a subsidy of a state university should be directly proportional to the number and type of students who are enrolled in it, provided the students have a choice of universities. The number of students applying would be indicative of the university's quality. Similarly, a professor's salary should reflect the number of students voluntarily enrolled in his or her courses.

## TAXATION

A low-saving, slow-growing economy such as the United States would benefit greatly from shifting the national revenue system from taxing *income* to taxing *consumption*. That change would provide a powerful incentive to increase the nation's saving and investment and, hence, economic growth and living standards. (Weidenbaum, 1992, p. 1)

Early this year, Martin S. Feldstein, chairman of the Council of Economic Advisers, prepared a speech in which he argued that economic growth in the U.S. could best be promoted by taxing only the portion of income that is devoted to consumption.. Such a tax, the argument goes, would discourage people from spending, thus boosting savings and investment. (*Business Week*, June 13, 1983, p. 80)

It has been suggested for many years that governments tax consumption rather than income. The reasons are clear. An income tax discourages efforts to increase income or encourages efforts to hide it. Worse yet, where income taxes have been very high, emigration of the affluent has been stimulated. A consumption tax would encourage increasing income, discourage wasteful consumption, and promote savings and investments. This would stimulate economic growth and development.

The principal objection to the use of consumption taxes has been the difficulties involved in collecting them, in keeping them from being regressive, and in preventing cheating. These objections apply to the most commonly suggested way of collecting them: by levying a sales or value-added tax.

These take a bigger bite proportionately out of the income of low-income families than from high-income families. But a consumption tax need not be regressive (if graduated) and it can be designed to make cheating very difficult. Consider the following seven-part design.

1. *A social security number would be issued to every child at birth and to every immigrant or long-term visitor on entry to the country. A bank account at a bank of one's choosing would be opened at the time the number is issued. For the new born, parents would make the choice. Every organization would have one account using its employer identification number in the same way. Each person's bank account number would contain his/her social security number and the bank's identification number. Each person or organization would be permitted only one bank account. Each account would have a coded access number available only to the person or organization whose account it is. Deposits could be made without use of the access number, but not withdrawals.*
2. *All of an individual's or organization's income from any source would be required to be deposited directly in the appropriate bank account by use of electronic funds transfer.*
3. *Payment for purchases of goods and services would also be made by electronic funds transfer from the purchaser's account to the provider's. Purchases could involve an instantaneous withdrawal from the purchaser's bank account and deposit in the supplier's account. If the required amount is not in the bank, and the seller agrees, when enough additional funds arrive at the bank the seller would then be paid. But the transfer of funds could also be postponed for as long as the parties want. However, the amount involved in a delayed payment, if currently in the bank, would not be able to be*

*withdrawn until it was withdrawn for the designated payment, thereby guaranteeing payment at the designated time.*

4. *Since all expenditures would involve a withdrawal from one's bank account, the bank would be able to prepare a complete record of each account holder's expenditures. Information on the nature of the expenditure would be on the record of each withdrawal including tax-exempt expenditures such as charitable gifts and investments.*
5. *Banks, if authorized to do so by depositors, would be able to file their consumption tax returns.*
6. *The consumption tax would be graduated. There would be no tax applied to those with very low expenditures.*
7. *The consumption tax applied to large expenditures, such as a house or automobile, could be averaged over several years.*

Because the tax rate on expenditures would be greater than current interest payments on deposits in the bank, payment of interest on deposits by the bank would not be necessary. Money left in the bank would not be taxed. Nevertheless, savings would be greatly encouraged, more so than now. Money left in a bank and money owed to the bank would be inflated or deflated at the same rate as an appropriate government index, and adjusted as frequently as that index is.

The income of a bank would come from charges for the services it provides, interest on the loans it makes, and returns on its investments. Investments in wealth-producing enterprises and payments for insurance made by individuals or organizations would not be subject to the consumption tax. Contributions to charities and expenditures on education would be tax free.

These tax principles would also apply to corporations. Their consumption, not their profit, would be taxed. This would encourage their efficiency.

There is another major advantage of such a system:

Ridding society of its cash could make most criminal activity disappear, from purse snatching to drug trafficking. Electronic-money systems promise to lead the way toward a cash-free, crime-free society. (Warwick, 1992, p. 19)

## **PUBLIC DECISION SUPPORT SYSTEMS**

Every major public decision about whether or not to do something should be recorded along with (1) a statement of what the expected effects of the decision are, (2) by when they are expected, and (3) the assumptions on which these expectations are based. The courts or other appropriate agencies at the level of government involved should monitor both the effects of the decision and the assumptions on which it is based. It would notify the relevant decision making body and the public as soon as it is apparent that an assumption on which its decision was based is false or the law or regulation is not working as expected. An adjustment would then be required. This would facilitate learning. Adaptive changes of decisions would themselves be monitored and their failure detected. This would facilitate learning how to learn. (A detailed design and discussion of such a support system can be found in Ackoff [1996]).

Every law and regulation should also have a "sunset clause," a designated time at which it no longer would be in effect unless renewed; they would lapse unless acted on. The designated time for lapsing should correspond to the time by which the full effects of the legislation or regulation are expected.

## **WELFARE AND POVERTY**

As noted above, the presence of poverty in socialist and capitalist economies is a major systemic deficiency. Welfare, in one form or another, is the principal means by which societies attack poverty, if they do so at all. Welfare is more a problem than a solution; it exacerbates the problem it is intended to solve. Furthermore, it consumes wealth without producing any.

Living off welfare has become a transmitted or "socially inherited" characteristic. Dependence on it is often passed on from one generation to another. Welfare is often blamed, at least in part, for the very things that are said to be the causes of poverty: children born out of wedlock, one-parent families, drug addiction, and crime.

Poverty is not a simple problem that has a simple source. It is affected by an interacting set of complex conditions including the dissolution of families, the degradation of public education, the decline of literacy, underemployment and unemployment, and racial and sexual discrimination. Nevertheless, the primary focus of welfare has been on alleviating poverty, not its causes.

Many of the producers and products of poverty are seldom discussed openly, for example, illiteracy, teen-age pregnancy, venereal disease, AIDS, and male irresponsibility for the children they sire. It is widely believed that discussing and addressing such conditions publicly encourages them. For example, it has been argued that issuing sterile needles to drug addicts would encourage their use of drugs. Our society continues largely to disallow such frank discussion of sex and contraception in schools as might reduce child-bearing among young unmarried females. The excuse often given for this is the belief that such discussion would encourage the sexual behavior that it is intended to reduce. This excuse flies in the face of the fact that most of our young people already engage in sexual activities and most do so without the knowledge required to make such involvement safe and

"unproductive." It is widely assumed that pretending a problem doesn't exist leads to its reduction if not elimination.

Another case in point: *most* teenagers illegally consume alcoholic beverages. When Anheuser-Busch produced a flavored non-alcoholic beer (Chelsea) that teenagers could use rather than alcoholic beer, the company was attacked by neo-prohibitionists for having introduced a "baby beer." They argued that such a product would seduce young people into subsequently drinking alcoholic beverages, ignoring the fact that most of them were already doing so. We allow moral proclamations to ride rough shod over facts.

To be sure, there will always be some who cannot take care of themselves and who have no one who can or are willing to take care of them. A humane society should take care of such people. It should also try to minimize the number requiring such care. Therefore, society should see to it that everyone, except some who are mentally or physically disabled, have access to sufficient education to become and remain able to support themselves and their dependents by engaging in socially useful work.

### **Addressing the Causes**

In an ideal city the poor or disadvantaged would not live in homogeneous enclaves that isolated them and facilitated the transmission of poverty to the young. Instead everyone would live in economically, socially, and racially diverse and integrated neighborhoods, and attend schools or work in places that are similarly heterogeneous but integrated. Furthermore, the poor in each neighborhood would be the neighborhood's responsibility, not the responsibility of some more removed and impersonal unit of government. This would reduce, if not eliminate, segregation and discrimination, and the reduction of these would in turn reduce poverty.

Not all the causes of poverty are easily eliminated. Some are very complex and not well understood. But lack of education and unemployment are two



causes that can be addressed effectively by assuring equal educational and employment opportunities to all. However, individuals should be able to choose the kind of education and work they want. These choices should not be made for them by government. Government should become involved in individual choice only when an individual's private efforts fail and the primary community of which the individual is a part has failed to provide the help needed by the individual.

### **Work and Workfare**

Recent legislation in the United States puts great pressure on welfare recipients who are physically and mentally able to seek work to do so. However, many of the jobs available to welfare recipients do not pay significantly more than they receive from welfare, and their welfare benefits are reduced by the amount they earn. This is a the major deterrent to seeking work among for those who are on welfare. Therefore, unless their earnings were greater than their welfare benefits, they would not benefit., and then the benefit could be too small to matter. Those on welfare who go to work should obtain a substantially higher income than they received on welfare. This could be assured as follows: They would have their welfare payments reduced by *half of what they earn*; then their welfare payments would decrease until they were making twice what their welfare payments were.

Suppose their welfare payment was \$1000 per month and they went to work for \$1000 per month. Their welfare payment would be decreased by  $1/2(\$1000)$ , or \$500, per month. Then their total income would be \$1500 per month. When their earnings reached \$2000 per month, they would no longer receive any welfare.

Society could easily provide productive work and work that improves communal quality of life.. There are a number of things that need doing in society, things that otherwise do not get done; for example, demolition of

condemned housing, clearing empty lots and converting them into recreational areas, uncluttering the environment, removing graffiti, and providing assistance to older and disabled people. They could learn construction trades and be used to build low-cost housing and to rehabilitate houses that need it. They could supervise after-school recreational activities of children. There is no end to the socially useful activities in which otherwise unemployed people could be productively employed.

The minimal wage rate should be sufficient to provide an individual with income above the poverty level. If individuals receiving the minimal rate have dependents, they would be entitled to welfare if the total family income is less than the poverty level for a family.

Social security payments, like all payments, would not be taxable, but their use would be. However, payments to individuals would be negatively correlated with the amount of money they have in the bank. This means that those with large savings would not receive such payments.

Workfare requires welfare recipients to engage in socially useful work in order to receive welfare payments. It has been proposed by some as a solution to the "welfare problem." But there is something wrong with it something that was exposed by Ellwood (1994):

There is something fundamentally different about "working off a welfare check" and working at a community service job. In the first case you seem to be working for free, in the latter you are being paid for your work. (pp. 159-160)

Therefore, employment, not workfare, should be provided and required of those able to work. It should be a primary responsibility of society to find or create employment for those requiring assistance and to see to it that they perform satisfactorily. Unfortunately, this is more easily said than done.

## **EQUITABLE EDUCATIONAL OPPORTUNITY**

As noted above, poverty is partially due to the lack of adequate education. The quality of publicly provided education in my country is deteriorating, particularly in urban areas dominated by disadvantaged minorities. It is clear that equality of opportunity cannot be realized unless there is equality of access to quality education. Voucher systems can provide such access.

The continuing debate in the United States about school vouchers assumes incorrectly that there is only one type of voucher system. Wrong! It is a theme around which many variations can be written. The one presented here takes care of most of the objections, if not all, that have been leveled against vouchers in general.

The parents or guardians of each school-age child would be given an educational voucher worth the current average cost per student in public schools. The vouchers would be redeemable by the school that receives it. This voucher would cover tuition. A student would have to be accepted by the school with responsibility for the area in which the applicant resided. Students who elected to go to a public school outside their area would either be provided with transportation or have their transportation costs covered by the school with responsibility for the area in which they live. This would provide an added incentive for schools to satisfy the students and their parents who live in the area assigned to them. The voucher could also be used to cover all or part of the tuition to non-religious private schools. (This would force competition between public schools, and between public and private schools. Like competition in general, it would lead to better service of the system's consumers.)

Public Schools would be autonomous with regard to hiring and compensation of teachers and administrative personnel. This means they would have to compete for personnel as well as for students and, therefore, would have to be as concerned with the quality of work life they provide to their employees as they would be with the quality of education they provide to their students.

Parents could apply to any public or private non-religious school for admission of their children. They would not have to use the public school in the area in which they live. However, public schools would have to accept applicants who reside in the areas assigned to them. If tuition of a private school applied to exceeded the value of the voucher, the difference would have to be paid by the applicant's parents. To avoid the situation in which private schools discriminate against economically disadvantaged students by raising their tuition, a certain number of scholarships to cover the difference between the voucher and tuition would have to be offered. If the private school did not offer such scholarships, they would not be eligible to participate in the voucher program.

Applicants to public schools outside the area in which they reside would have to be selected at random. Private schools would not be able to redeem vouchers unless they selected from among applicants similarly. This would assure equal access to all applicants to any school out of their areas. It would also make desegregation of schools possible since race, religion, national origin, sex, or ability could not be used as an admission requirement. (The need for bussing would be completely eliminated.)

Public schools would have no source of income other than what they obtained by cashing in the vouchers they receive. If they did not attract and retain applicants, they could go out of business. Therefore, those employed by a school would not have tenure that extended beyond the life of the school. Public schools, like private schools, should have the ability to get rid of ineffective employees, and the system would have the ability to get rid of ineffective schools.

Public schools that are on the way to going out of business would be taken over by the community's board of education which would act as a receiver.

This voucher system would encourage differences between schools and specialization. For example, special schools or programs for retarded or deaf

children would develop, especially since vouchers for such children would be worth more than those issued for unimpaired children.

By introducing the market mechanism into the educational system its customers and consumers would be encouraged to become familiar with the alternative schools available. The board of education in each community should provide information that enabled school users to make intelligent choices. In the system described here, individual schools would clearly be more responsive to residents of the areas assigned to them, more adaptive to changing needs, and more open to participation by their stakeholders.

Public education should be extended through undergraduate college and university levels. However, vouchers would not be issued for colleges and universities in the same way. Anyone receiving a certified admission and registration statement from an institution of higher learning would be able to submit it to an appropriate government agency and receive a voucher which would defray all or part of the tuition required by the school that had admitted them. But this would be in the form of a loan that would have to be paid back after graduation. Failure to do so would be treated as a misdemeanor.

The voucher system is frequently accused of putting private schools under no obligation to accept or keep students that fall below their academic standards or become disciplinary problems. Clearly, the system described here is not subject to such criticism because private schools that accept vouchers would have to select among applicants at random.

This system would move much of the control of public and private education into the hands of the parents of students. They cannot do worse than the so-called experts have done, and there is a good chance that they will do much better.

## **EQUAL ACCESS TO HEALTH CARE**

Good health is as important a factor in pursuing one's development as any other. By good health I means an ability to function and pursue one's goals efficiently. There are many people with diseases who function well and there are others without obvious disease who function poorly. But all should have equal access to healthcare.

Every legal resident of a society would have access to essential healthcare services (including preventive, wellness, optical, auditory, and dental). These services would be funded by an annual healthcare tax paid by individuals. This tax would reflect the individual's income, age, number of dependents, life-style, health status, and environment.

Employers would pay a healthcare tax proportional to the hazards of their employment conditions. In addition, they could elect to pay all or part of their employees' healthcare taxes. Where employers do not choose to pay all or part of their employees' healthcare taxes, they would be required to add to the employees' salaries the current cost of the healthcare insurance they provide.

A governmental unit selected by constituent units would collect healthcare taxes and issue annual healthcare vouchers for each individual. The value of these will be independent of the amount of taxes paid. The value of the voucher would reflect the personal and health characteristics of the individual, for example, age, disabilities, and lifestyle.

Individuals would be free to select a primary-care provider to whom they would give their vouchers. The primary-care provider would then be required to pay for *all* essential healthcare services he/she prescribes. (Therefore, the better the health of those served, the more profitable they would be for the primary-care provider.)

Primary-care providers could practice individually or as part of some type of group practice or integrated healthcare system.

Healthcare programs would be overseen and administered by healthcare boards established in each community. These boards would define essential healthcare services for their communities, certify healthcare providers, and monitor the quality of the services provided. (Such monitoring would reduce the number and intensity of malpractice suits.) They would also establish and maintain a community medical information system that would be part of a national network. Finally, they would establish courts to adjudicate complaints.

An appropriate governmental unit would establish medical-record standards to be adhered to by all communities and would provide each community with a budget with which to carry out its responsibilities, but board members would not be compensated for their services.

Individuals would be able to choose primary-care providers outside the system, but they would still have to pay the healthcare tax. Primary-care providers would be able to operate either within or outside the system, but not both. Those operating within the system would have some say in selecting and retaining patients.

The system would provide the following checks and balances to assure the patient's receiving as much service as is needed: the audit of providers by the community's healthcare board; the community-based information system would educate individuals and providers regarding the best practices as well as providers; dissatisfied individuals could appeal to community boards as well as change to other primary care providers; the value of an individual's voucher would increase with each annual re-registration with the same primary care provider.

Scholarships would be provided to medical school to those who agree to serve for a specified period of time as a primary care provider in an area (e.g., rural or urban) assigned to them.

This system would cover all legal residents of the country. The role of government in healthcare would be very small; it would not pay for, or provide, services. It would only collect healthcare taxes, issue vouchers, and establish reporting standards. Employers would only be required to cover cost of work-related healthcare, but they could voluntarily pay more than that.

This system would be entirely market driven with incentives to discourage abuse by any of the participants. It would increase the proportion of primary healthcare providers because it would make such practice more attractive and rewarding — and it would reduce the number of specialists required.

It would provide healthcare services to areas currently underserved and would encourage use of the system by many of those who do not use the current system. It would also encourage the formation of private integrated healthcare systems.

Perhaps of greatest significance, it would promote health at least as much as it would treat illness and disabilities, and therefore would reduce national illness-care costs and losses incurred because of illness.

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\* A detailed description of such a design prepared for the United States can be obtained from Rovin, et al, 1994.

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## **OWNERSHIP AND THE PRODUCTION OF WEALTH**

Government should either provide those facilities and services to which all members of a society should have equal access, or oversee such provision by others. There are some that cannot reasonably be provided competitively; for example, such facilities as streets, parks, water ways, and such services as tax



collection and distribution, licensing of construction, and the dispensation of justice by courts.

Wherever possible competitive sources of supply should be made available to the public. It is now clear that all utilities can be so provided: for example, electricity, gas, water, sewage disposal, waste collection, telephone, radio, and television. Governmentally operated monopolies would be tolerated only when no alternative is either possible or deemed to be reasonable by those affected, for example, maintenance of the military, customs operations, and collection of taxes.

*Privately operated enterprises, including corporations, would not be considered to be owned by their shareholders or creators.* Shareholders would be treated as investors, not owners. They would be entitled to a return on their investment but not control of the corporation. Employees invest much more of a more valuable resource in an enterprise than money, namely time. Time, unlike money, is not a renewable resource. But even the employees should not be treated as owners because the corporation should not be treated as property, but as a community. No one owns a community. It is a social group that has obligations to each of its members and visitors and they to it. It provides them with facilities, services, and opportunities that they could not possibly provide themselves.

Because the employees are more dependent on the corporation than any of the other stakeholders, and because it is at least as dependent on them as on any other stakeholders, it should be operated democratically. As the technical content of work increases, the educational level of the work force does also. Increasingly, employees know how to do their jobs better than their bosses do. Under these conditions autocratic management is not effective, but democratic management can be (Ackoff, 1999 Ch. 9).

The profit that a corporation generates should be used for the benefit of all its stakeholders and any others they collectively choose to benefit. Profit should not

be treated as an end, but as a means. As Ambrose Bierce (1911) once observed, money has no value until parted with. It is what it is used for that can have value.

Enterprises should operate with minimally regulated internal market economies, rather than centrally planned and controlled economies. This alone can prevent the growth of bureaucratic monopolies within the firm and their creation of unproductive work. Units operating within a market economy are much more likely to be responsiveness to the needs and desires of those they serve (Ackoff, 1999, Ch. 10).

The corporate community should also be organized so that it is ready, willing, and able to change, to adapt to internal and external changes. This requires a structure very different from the traditional hierarchical tree, for example, the multidimensional design that which provides such flexibility and eliminates the need for continuous adaptive restructuring. (Ackoff, 1999, Ch. 11) Finally, every corporation and community should (1) be equipped to learn rapidly and effectively and learn how to learn, and (2) be motivated to do so continuously. To do this requires a learning and adaptation support system. Such a system, in addition to facilitating learning and learning how to learn, should provide every member of the corporate community with access to the information, knowledge, understanding, and wisdom possessed by any other member of the organization. Finally, every such organization should have a vision of what it ideally wants to be and a plan for approximating it as closely as possible (Ackoff, 1999, Chapters 5 and 8).

It should be a social obligation of enterprises to create and maintain productive employment because this is the only way that wealth can be simultaneously produced and distributed. Government should create incentives that encourage their doing so.

## **CONCLUSION**

Historically, both socialism and capitalism have been operationalized in hierarchies that concentrate resources and authority at the top and allocate them down. In the design presented here society is turned upside down, made into a lowerarchy, with resources and authority concentrated at what is considered "the bottom" in a hierarchy and allocated "up."

In this design all governmental decisions are subject to monitoring by the courts and to termination at a specified date unless renewed. This assures continuous public learning and effectiveness of decisions made.

Government would be organized as a confederation with any part of it able to secede from any union with others but with the requirement that it compensate the others for any costs they incur with its departure.

National borders would be open to immigration of any who would not be a drain on the economy and have no criminal record. Within two years legal immigrants would be required to become citizens and literate in the national language.

Individuals would be given a meaningful voice in government through elections designed to assure them a significant choice among candidates at least one of whom is acceptable to them. They would be able to reject unsatisfactory slates of candidates and require the election to be rerun at the expense of those who created the original slate.

The provision of employment would be an obligation of both government and private enterprise thus assuring a more equitable distribution of wealth. Minimal allowable wages would elevate a person above the poverty level. Welfare would be available for those who are unable to work and are not otherwise cared for.

Equality of opportunity would be provided by designing communities as economically and demographically heterogeneous as society itself. Equality of access to education through high school would be provided through a voucher system that precludes discrimination (on any basis) among applicants, and loans would be available for study at colleges and universities to all who qualify. Access to healthcare would also be available to all legal residents and would be paid for by a health care tax. The system is designed to preclude unnecessary treatment intended to increase income; in this system it would reduce income.

As many public services as possible would be provided by private sources that would have to compete for the right to do so. This right would be for limited times requiring frequent renewal of contracts through competitive bidding. Government provided services would be provided by small units that would have to compete for users and whose only income would be derived from the services rendered.

Government would be financed by a graduated consumption tax made possible by the replacement of money by electronic funds transfers. This monetary system would discourage useless consumption and encourage public and private investment in employment and wealth producing enterprises.

Corporations would be treated as communities, not as property of shareholders. As communities they would have no owners, but would be expected to serve their stakeholders. They would operate democratically with internal market economies and therefore be free of internal bureaucratic monopolies.

Socialism and capitalism both consider the means of production to be property, hence subject to ownership. They differ fundamentally over who should own them. The system designed here differs from both by

conceptualizing the sources of production and services as communities and as such are owned by no one but are responsible to all their stakeholders.

Finally, suppose the most inclusive unit in the lowerarchy I have described were a world government. This could eliminate the need for military forces at any other level of government. This combined with the elimination of war as a way of settling disputes, would make a very large amount of money and technology available for investment and use in development. At the end of World War II, P. M. S. Blackett, a Nobel Prize winning physicist, led a group to determine how much investment would be required to provide an equitable distribution of development and standard of living throughout the world. As I recall their result, they estimated that only ten percent of the then current world-wide expenditures on armaments would be required. Imagine what all of current expenditures would do along with re-allocation of research to the support of development rather than war. Of course any assumptions about the effective use of these funds is based on a very optimistic view of mankind. But there are some grounds for hope. The intervention of NATO forces to settle intra- and international disputes could be a foreshadowing of an international peace force.

Mankind has progressed from the family as the basic unit of organization to the clan, through the tribe, to the state and nation, and currently to regional governance, as in the European Economic Community. Although the two efforts to create a world governing body after World Wars I and II have not been particularly successful, but the second, the United Nations, has been significantly more successful than its predecessor, the League of Nations. Is it only in vain that one can hope for a third try that does not require a World War to stimulate its formation?

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