

Answer on Question#37794 – Economics – Macroeconomics

Economic planning refers to a coordinating mechanism outside the mechanisms of the market. There are various types of planning procedures and different ways of conducting economic planning. As a coordinating mechanism for socialism and an alternative to the market, planning is defined as a direct allocation of resources; contrasted to the indirect allocation of the market. The level of centralization in decision-making in planning depends on the specific type of planning mechanism employed. As such, one can distinguish between centralized planning and decentralized planning. An economy primarily based on central planning is referred to as a planned economy. In a centrally planned economy the allocation of resources is determined by a comprehensive plan of production which specifies output requirements. Planning may also take the form of directive planning or indicative planning.