

**THE ILLUSION OF CHOICE: HOW THE MARKET ECONOMY  
SHAPES OUR DESTINY. BY ANDREW BARD SCHMOOKLER.  
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In recent years, there has been a remarkable resurgence of socialist and social-democratic theorizing, this time, allegedly, with a quite different twist (Pongracic 1997, pp. 599–600). These theorists still regard capitalism as characterized by exploitation, inequality, and negative externalities. But they are now forced to admit some of capitalism's advantages and the serious deficiencies of socialism. All this notwithstanding, these post-socialist writers espouse a frightfully similar logic to socialists of old: While socialism may only seem dead, theoretically, it still has much to offer. And because capitalism is simply wrong as a socio-economic system,<sup>1</sup> and has little to offer theoretically, a third way is proposed as the *sine qua non* of a just and humane society.<sup>2</sup> Despite their claims to originality, these authors are not very original: in almost all cases either a more interventionist government is offered, or a new variant of market socialism sought.<sup>3</sup>

One topic is especially dear to all post-socialists: the philosophical issue of choice. Choice, for them, is illusory, nonexistent, a mirage, never absolutely free, so the only moral reason for free markets rests, as it were, on shaky grounds. Once we understand that, they tell us, we will give up choice and be more open to some sort of scientific planning. As Bellamy (1994) argues, some economic events erode particular choices while expanding others and "[e]ven if one accepts that the quantity of choices is probably (if not necessarily) increased for the majority by [those events], this tells us nothing about the intrinsic worth of these choices for human beings" (p. 349). So it is a "wider moral framework within which markets operate" (p. 356) that must never be overlooked when social systems are discussed.

Andrew Bard Schموokler's *The Illusion of Choice* is an almost perfect example of this post-socialist scribbling. I was drawn to the book by some words of praise. According to one writer, it is "an extraordinarily deep, broad, and insightful analysis

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<sup>1</sup>Robert E. Lane (1994) even claims that capitalism produces "a rising tide of clinical depression and dysphoria, a decline in mutual trust, and a loosening of social bonds." His advice: "Advanced societies are likely to increase 'utility' if they maximize friendship rather than the getting and spending of wealth" (p. 521). Since "the market inhibits friendship and other kinds of social support" (p. 522), and since "market solutions to the deficit of companionship in modern society have failed," as well as the welfare state (p. 544), his conclusion is a weak recommendation of a society in which "we seek to cultivate the bonding instincts with which we are born" (p. 546).

<sup>2</sup>In its recent catalogue, Rowman & Littlefield Publishers advertises Michael W. Howard's *Self-Management and the Crises of Socialism* (August 1998) as an "exciting text." "While some conclude from the revolutions of 1989 that socialism is dead, interest in socialism continues because of persistent problems of contemporary capitalism."

<sup>3</sup>See Bowles, Gordon, and Weisskopf (1990), Lane (1991, 1994), Yunker (1992, 1993), Bardhan and Roemer (1992, 1993), Cottrell and Cockshott (1993), Schweickart (1993, 1997), Bellamy (1994), Roosevelt and Belkin (1994), Roemer (1994), Wainwright (1994), Vanek (1996).

of the social, political, and moral consequences for our civilization of our dependence on the market system."<sup>4</sup> The author of a work with the ominous title *The Death of Industrial Civilization*, finds the book "clear and engaging." Dealing with "difficult and often overlooked implications of the market" the book "address[es] the hoary but necessary issue of the manner of social change for advanced industrial society."<sup>5</sup> Another critic is convinced that "The author is at the heart of the biggest ills of our time."<sup>6</sup>

I must, en passant, add that I am stunned by some of these statements. They cannot possibly mean what they're saying. Is the market system really one of "the biggest ills of our time?" Even compared to Communism and Nazism, Stalin and Hitler? Was Pol Pot's agrarian communism really superior to a market economy? Can an advanced industrial society really be better off in a socialist setting? What kind of experience have these people had with other systems to bring such a sweeping generalization against the "market system?"<sup>7</sup>

Anxious to discover Schmookler's proposed alternative, we actually find another unsuccessful endeavor to find the Holy Grail of modern post-socialism—the beloved third way. Like other market critics, Schmookler is not humble. He presumes to know the answer to every question concerning society, man, environment, technology, or any of the complex issues that humans confront in everyday life. A research associate at Harvard University's Center for Psychological Studies in the Nuclear Age, he has goals that can only be described as gigantic. He wants "to create a more humane and viable civilization" (p. 3), "a civilization that is viable and fulfilling to the human spirit" (p. 4), "a social order superior to ours" (p. 14), "a radical transformation in our political economy and in our consciousness" (p. 28), in a word, "a world at harmony" (p. 262) His is "a vision of the world in which how we live is governed solely by the true expression of the human spirit" (p. 271). "We can be free," cries Mr. Schmookler, "but only if we recognize and treat our bondage as a problem" (ibid).

To "bring our systems"—yes, the whole world—"under genuine human control" (p. 305) is, for Mr. Schmookler, an exercise in pure logic: "The global order, in turn, would be structured so as to make the world safe for these diverse and humane societies" (p. 299). He is never in doubt that, if we only followed his recipe, "we would create wonderful culture, that we could live in harmony and nourish each other, and that the flower of human creativity would bloom in diverse and marvelous and unexpected ways" (p. 260).<sup>8</sup>

His enemies are "the insatiable materialism of our civilization, . . . [that] is killing the earth" (p. 3), "our ceaselessly escalating race for material wealth" (p. 4), "our society's voracious drive for wealth" (p. 5), "the sickness of our materialism" (p. 33), "the deadly deficiencies of our modern economy," (p. 34) "the continual erosion of the fabric that holds things together" (p. 72), "a superfluous private abundance and an impoverishment of the public realm" (p. 95), the "limitless quest for growth" (p. 228), "this

<sup>4</sup>Lester Milbrath, the author of *Envisioning a Sustainable Society*, on the back cover of the book.

<sup>5</sup>Joel Jay Kassiola, on the back cover of the book.

<sup>6</sup>David W. Orr, the author of *Ecological Literacy*, on the back cover of the book.

<sup>7</sup>One of the most disturbing facts is that all the above mentioned critics of the market sincerely believe that here in America we have a "free" market in which greedy capitalists are completely free to rape the land, exploit the workers, cheat the customers, and do more or less whatever they want.

<sup>8</sup>F.A.Hayek, whom Schmookler vilifies whenever he can, but obviously knows only from secondary sources (no original works by Hayek are in the bibliography), called such a logic (1944) giving "the prestige of a scientific appearance to passions of their hearts" (1944, p. 191).

economy of insatiability" (p. 232), "a system that drives us relentlessly toward more and more" (*ibid.*), "a single-minded devotion to accumulating great fortunes" (p. 286), and especially "the illusion of choice."

The main culprit for all this is . . . the market, a "monster, run amok" (p. 176),<sup>9</sup> a "system that is blind to the values of the natural world" (p. 76), "slow to recognize the reality . . . that the world is finite" (p. 98) and "by its nature, treats the earth like dirt" (p. 96), ultimately a "system of intersocial interaction where anarchy and its partner, violence, hold ultimate power" (p. 258). This "system, because of its biases and distortions, carries us to a destination chosen by that system and not by us" (p. 25, italics in original).

From the outset, Schmookler tries to convince us that he is smarter than previous critics of the market system. He, for example, understands that the "market system works miracles" (p. 8). It was "the workings of the market system [that] have helped to raise regions and nations out of poverty and into affluence" (p. 235).<sup>10</sup> He, on the other hand, also understands that "communism stands discredited" (p. 19) by "the shameful ecological record of communist economies in Europe" (p. 108). "Marx," admits Schmookler, "for all his brilliance and frequently penetrating insights, opened the wrong path" (p. 21).

Aware of all "misguided, utopian strivings for perfection" (p. 73), he wants to go "beyond Marx" (p. 21). Realizing that government interventions, "for a variety of reasons," "compound the vices of the market, while others impair the market's virtues" (p. 26), and realizing that the market system "cannot be perfect," that "[e]ven wise choices involve trade-offs" (p. 10), and that "[c]orporate decisions are always being made in the face of uncertainty" (p. 200), he offers his own blueprint for an (almost) perfect society.

It needs to be said that, after all this exercise in the philosophy of reality, one would expect Schmookler to be more friendly toward market solutions. Not so. According to Schmookler, "to conclude from these obvious facts that the market allows people to choose their destiny is a widespread and enormously influential fallacy" (p. 11). It is this problem of choice that forces Schmookler to pronounce the market the root of all evil, and to sentence it to death.<sup>11</sup>

<sup>9</sup>How far Schmookler goes in this market-as-a-person treatment is best seen in the following sentences: "The market sees no value in treating the Black Hills as sacred, particularly if there's gold to be blasted out of them. When the market beholds a thousand-year-old redwood tree, what it sees is picnic tables, house siding, and mulch" (p. 261).

<sup>10</sup>As with Schmookler, Bardhan and Roemer (1992) first admit that "competitive markets are necessary to achieve an efficient and vigorous economy" (p. 101), only to destroy the workings of the market through their hatred for private ownership in the means of production at the end of the article. See also Wohlgemuth (1997) and Gordon (1995).

<sup>11</sup>Cornell University economist Jaroslav Vanek (1996) seems to agree with Schmookler. According to Vanek, accepting the market philosophy puts us on the "road to serfdom." Though Vanek wants us to believe that he is only against "modern oligopolistic capitalism," and would agree to be on the side of the market economy if it did not produce so many "pathologies," his true feelings were best expressed in his view that "the socialist countries of Eastern Europe, with all their crises and inadequacies, may be most capable of operating and initiating the process of healing" (p. 114). Why? They

have the most extensive experience with economic planning and cooperation. The . . . world . . . need[s] some kind of . . . economic planning and translating of overall social objectives into actual economic action on the national and regional level. This action would have to be far more comprehensive and democratically based than the ad hoc economic policy making in the West today. (p. 123)

The market, he argues, is positively immoral. In the market “the strong [are] free to do what they can while the weak suffer what they must” (p. 272). Take this example: “If others have found a way to produce a given product more efficiently, other less-efficient means of producing the same thing are rendered impractical. If my more efficient neighbor can make a profit at a price that would be a loss for me, I must either match his efficiency or go out of business” (p. 273). Now, how can such a system call itself moral? Most people believe in the morality of the market simply because they have “a dangerously distorted idea of what constitutes efficiency” (p. 274).

A further example of market immorality is its treatment of poverty. How can anybody say that “the market is the most effective means of addressing the problem of genuine poverty” (p. 235)? After all, the market is a zero-sum game: “[T]he continued growth of the wealthy on this finite planet absorbs scarce resources necessary for significant improvement in the lot of the poor” (ibid.).<sup>12</sup> While “massive resources have been devoted in the course of an entire century to the creation of the consumerist mentality” (p. 234), “there is no place you and I can go to buy a clean environment, a coherent landscape, an intact social community” (p. 62). Transforming the earth, its biosphere and its bowels, into something so trivial as commodities ends up in the paradox that, in the end, some of them we will not be able to buy.

But all this is of secondary importance. The real problem for Schmookler is that “it is the system that decides” (p. 48), “the system, which determines what kind of values and ways of living will be empowered” (p. 288).<sup>13</sup> And when we are denied in the market all “those good things that cannot be bought and sold” (p. 12), we are denied happiness. We perform unnecessary labor to acquire superfluous goods, never realizing that we are “the servants of our own creation” (p. 234). “To understand the importance of what we may have lost—in interpersonal relationships or interpersonal integrity, in community and in a reverent and harmonious relationship with our natural surroundings—requires a breakthrough of consciousness, an awakening to achieve” (p. 15). The market simply divides people to conquer them. For Schmookler, “life and death are at stake” (p. 288).

Moreover, “The myth nonetheless persists that our system is the embodiment of liberty. The intrusions of government are still resented as the infringements of a dangerous power upon our personal liberty, even though our democratic polity is more accountable to its collectivity than the modern corporation now is to its” (p. 192). But laissez-faire policies only mock our values and thereby only promote the continued degradation of freedom itself.

For Schmookler, who knows “the real values” (p. 101) and possesses the knowledge “of an intrinsically meaningful way of life” (p. 290, italics in original), this is a sick society, “a world no one would choose” (p. 76), and we’re called to make “the most fundamental and fateful choice”: “to see or not to see” (p. 16). (It is “the ugliness and spiritual vacuity of a landscape contorted by the narrow and uncompromising demands of producing, buying and selling,” [p. 11] that especially unnerves Schmookler.) This Shakespearean dilemma is forcing us “to look carefully into the market system” and “its contagious lifelines” (p. 35) and—though “indeed a phenomenal tool for many purposes” (p. 28)—reject it.

<sup>12</sup>The market is even blamed for the fact that “60 percent of women with children under five years of age work outside the home” (p. 213).

<sup>13</sup>“Unless adequately restrained, the market tends to sweep up all other institutions, all other cultural forces, and reform them in its own image” (p. 71).

Instead of being our servant, the market has become our master, while Schmookler has become our liberator: "The first step in our liberation is to recognize our bondage." "[T]he system must be transformed," cries Schmookler (p. 18). We need "someone at the steering wheel" (p. 25) "to get the vehicle of the market pointed straight on the road to a destination of our choosing" (p. 26), "an adequate countervailing force to act either for steering or braking" (p. 71). "And the only tool available to us that has sufficient power to divert the market's intrinsic momentum is the instrumentality of government" (p. 27), since "a market society cannot correct against the inherent biases of the market except by using the coercive arm of government" (p. 72).<sup>14</sup>

Government may have some faults, Schmookler allows, like incompetence and corruption, but "[h]uman intelligence, exercised through government, is surely capable of improving upon the information with which the market, with its identifiable blind spots, does not work." (p. 80) Why cannot the same human intelligence improve market information? He responds that a system predicated on human selfishness, will not only "encourage the selfish element in our nature," and "fray the moral fabric of our society," it will also destroy one of the fundamental elements of human nature, the "capacity for altruistic feelings and actions" (p. 82). Even with this capacity being salvaged, a solution is viable "only if taxes and subsidies are used to correct the market's inherent bias" (p. 104). Only when we choose together, using the government, will we have "a genuine possibility of choice" (p. 204).

Some time before Schmookler wrote this book, a University of Alabama professor of philosophy accused "critics of capitalism" of having "a great deal to say about the defects and social ills that afflict capitalist society and correspondingly little to say about how alternative institutional arrangements might solve these problems" (Arnold 1992, p. 1). Schmookler's book is an attempt to correct this. Once the people understand his philosophy—let's call it Schmooklerism<sup>15</sup>—the solution comes almost automatically. People become new and different. "The very act of confronting these problems would change people's consciousness" (p. 206). Once they see the world as a whole, everything will change.

So Schmookler's goal is set for him—his solution will show us how to live in "the just and nonviolent order . . . [and how] to remake our present world into the world as it should be" (p. 289). But first he has to "show how a market system, if insufficiently controlled—as ours presently is—drives the society into the very excesses that characterize our world today" (p. 5). We, the unenlightened, are caught in a vicious circle: we think we make choices, but those choices are not ours, they are molded by a society that is the victim of the forces of the market which, in the course of time, destroys the very values it is supposed to satisfy. "Our choices are thus skewed by the nature of the system within which we make them" (p. 11). It is "the market machine [which] allocates resources to maximize both productivity and utility" (p. 39), not we, because "the market economy does

<sup>14</sup>Hayek (1944) forewarned us against this infatuation with "the coercive arm of government." But Schmookler warns us against Hayek: "[T]he whole ideological argument in favor of spontaneous orders is constructed with the sole aim of justifying the market and protecting it from governmental meddling" (p. 74).

<sup>15</sup>Schmookler refuses to label his society. He believes that it would be a new kind of economic democracy that he labels sometimes the "just and nonviolent order" (p. 289), and sometimes "a world free of force" (p. 271), but never socialism. The word does not even appear in the Index.

indeed have a logic of its own. Once the market system is in place, the people in it are no longer wholly in charge of their destiny" (p. 124). "Human affairs are reduced to terms of mechanism, comprehensible in terms of number and calculation. It is like the Newtonian clockwork universe that epitomized the worldview of the era in which the market developed its power and rationale" (p. 34). Schmookler seldom blames the people—we are only dupes; rather it is the "insatiability of the mechanical system [which] gains ascendance over the sense of proportion inherent in organic process" (p. 233).

The market economy, that "has long been served by an atomism in our thinking" (p. 207), has denied us "to see the connections between the various elements of our social reality" (ibid.).<sup>16</sup> Even he—as an investor—is guilty of such negligence: "As I put my dividend check in the bank for my daughter's education, I don't have any reason to think about whether the leukemia of someone else's daughter was induced by chemicals my company didn't think it worth the expense to dispose of properly" (ibid.).

At this point, it is easy to become discouraged. If Schmookler himself is a sinner, how can we simple mortals hope to reach his utopia? But he consoles us: "[t]he root cause of the cult of growth [is] to be found not so much in the psychological nature of the people within the system as in the logical thrust inherent in the market economy" (p. 228). Once we eliminate the monster, the market economy, the "economic man" in all of us will miraculously disappear, and the new Schmooklerian Man will emerge. A "healthy economy that is not constantly growing" (ibid.) will result, and once we are masters of our own destiny we will "choose to refuse the demands of the market and . . . allow our children to bloom quite differently" (pp. 260–61).

It could be easy to dismiss Schmookler and his ilk with the Orwellian quip: "You have to belong to the intelligentsia to believe things like that; no ordinary man would be such a fool." We could also echo Antony Flew's recent question: "By what right are you proposing to deploy the forceful machinery of the state in order to impose upon all concerned your own personal . . . vision of an ideal society" (1997, p. 301)? But all this would not suffice—the utopian socialists have to be refuted over and over, because they keep reappearing. It must be explained to them, repeatedly, that using their means they will never achieve their goals.

It was Mises who in *Human Action* explained that people like Schmookler elevate their "personal value judgments to the dignity of a universally valid standard of absolute eternal values." They would impose their own ends, their own arbitrary value judgments on the rest of the population simply because they are convinced they have discovered an incontestable standard of good and evil. "Masked as the benevolent paternal autocrat, the author's own Ego is enshrined as the voice of the absolute moral law" (Mises 1966, p. 660).

Previously, in 1929, Mises had described such people as ones "seeking an ideal system which, in their belief, is neither capitalistic nor socialistic, is based neither on private property in the means of production nor on public property. They are searching for a system of private property that is hampered, regulated, and directed through government intervention and other social forces" (Mises 1929; 1977, p. 13).

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<sup>16</sup>Schmookler does not distinguish between methodological individualism and normative individualism (Vanberg 1994).

Mises believed that most people, whatever their ethnic origin or religion, agree that such a system would be the only acceptable social system, although they may disagree sometimes in the methods how to bring it about. They refuse to see that the objectives which they aim to achieve can never be achieved. "Government cannot make man richer," Mises proved in so many of his articles, "but it can make him poorer" (p. 23).

In his Nobel Memorial Lecture, Hayek warned all the future Schmooklers about a very serious danger—in their arrogance they can destroy the world.

The recognition of the insuperable limits to his knowledge ought indeed to teach the student of society a lesson in humility which should guard him against becoming an accomplice in man's fatal striving to control society—a striving which makes him not only a tyrant over his fellows, but which may well make him the destroyer of a civilization. (Hayek 1984, p. 276)

Schmookler, and so many other dissatisfied intellectuals, belong to what John Jewkes, the British economist, called "morbid types." According to Jewkes (1948), such people are "[m]en who itch after power to control their fellows. Men of little understanding and less restraint who would smash the existing economic institutions out of pure ignorance of their functions. Egomaniacs who can conceive of no standard of values but their own and strive, with Jesuitical fervor, to save the world despite itself" (p. 5).

Schmookler himself tells us at the end of the book that in order to move toward his perfect society, "we do not need to know much about our destination. It is sufficient to commence with the removal of the obstacles to human freedom. Simply work to restructure our systems to neutralize their power over us, and, with the passage of time, the true nature of our options will naturally unfold before our eyes" (pp. 304–05).

And yet it is an inescapable fact that people in Schmookler's society of the future will need to grapple with the same question we deal with today: Can people be permitted to follow their own preferences within the framework of voluntary exchange and cooperation, or must they follow a common value scale even when they disagree with it? If the common value scale is despotically imposed, in what way is their choice widened? His "most desirable way to organize a human society" (p. 52) denies humans almost any choices. Since "free exchanges regularly mete out injustice because they do not allow people to mind their business" (p. 53), all freedom must be denied. Because "the market is giving out false information about the costs and benefits of each of our transactions" (p. 58), all our transactions must be regulated. Once regulated we will be able to enjoy "real wealth" (p. 61).

All human institutions—governments, markets, money, etc.—suffer from the same problem: the imperfections so bitterly denounced by Schmookler. Greed, ignorance, myopia, irrationality are endemic in them all. People living within such institutions may not have the choices he would like them to have, but this much should be clear: a misplaced faith in government administered according to the millennial vision of Schmookler will not improve their situation.

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