

## Deepening the Irony of *Utopia*: A Mises/Hayek Perspective 03/08/07

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### INTRODUCTION

The interpretation of Sir Thomas More's *Utopia* (1516) has always been controversial. Most scholars have treated it as a serious work of both social criticism and the expression of a social ideal; however, widely differing views of More's specific intent in writing it, as well as of its import, have been expressed since its publication. This is especially true of the second book of *Utopia*. This paper adds economic arguments to existing literary and biographical ones to buttress Gerard Wegemer's (1996) relatively recent assessment of *Utopia* as primarily an irony intended to undercut, rather than to advance, the idealization of a communist society. First, previous scholarly assessments of *Utopia* are summarized, followed by a brief reference to Wegemer's novel interpretation of the book. Next, a brief summary of the Mises/Hayek arguments for the impossibility of economic calculation and the existence of an insurmountable knowledge problem for central planners in a socialist economy is presented. The last part of the paper summarizes the main facets of More's *Utopia* and shows how his own treatment embodies some of the very same economic insights that later appeared in the Mises/Hayek critique of the socialist planned economy.

### PREVIOUS ASSESSMENTS OF *UTOPIA*

Despite his having coined the term now used to refer to an ideal or perfect socio-political order, both Sir Thomas More and his book *Utopia* have been given short shrift by historians of economic thought. None question the seriousness of More's book, and only a few give it more

than a passing mention. Adam Smith (V.iii.68) even refers to it as “useless and chimerical.” Like most other bare mentions of More in histories of economic thought, Gide and Rist (p. 213) label him as a “utopian communist” while Bell (p. 358) relegates *Utopia* to the status of “a book in socialist literature.” Haney (p. 114) characterizes *Utopia* as a “humanist” work produced in a period of social crisis and depression, expressing “both the Renaissance spirit of cultural self-development in accord with Greek thought, and also the Christian spirit of democratic equality.” Screpanti and Zamagni (p. 120) refer to *Utopia* as a Catholic “Utopia-of-order model” of society as a mystic body; and, they claim that *Utopia* inspired the construction of the socialist society of The Jesuit Republic in Paraguay that had 144,000 inhabitants and lasted from the 17<sup>th</sup> to 18<sup>th</sup> centuries. They contrast this model with the “Utopia-of-freedom” models, such as the various proposals for Lands of Cockaigne.

To Schumpeter (p. 206-7), *Utopia* is an example of the “Staatsromane” (state novel) exemplified by Plato’s *Republic*: an artistic creation of a vision of the ideal society, not a blueprint for one. Taking More at his word, Schumpeter finds much to like in the socialism of *Utopia* and notes that, like Plato’s creation, More’s ideal state solves most economic problems by assuming a stable population with given simple tastes. He particularly approves of the analytical usefulness of More’s device of having the goods that are produced in the kingdom distributed equally among its districts from public storehouses, thus conceptually separating the spheres of production and distribution. Schumpeter also notes (p. 208) that More was an early critic of the enclosure movement for its creation of an unemployment problem, and (pp. 208, 305, 979) that he introduced and used the term “oligopoly” in the same way as it is presently used to indicate that prices may remain above the competitive level, if there are few sellers.

An earlier and more extensive discussion of *Utopia* can be found in James Bonar, who also takes More at his word. Bonar treats More's ideal city under the category headings of "Wealth," "Production and Distribution" and "Civil Society and the State." "Wealth" is (p. 62) "abundance of necessaries and commodities" within the context of a population with simple wants "not unlike in many ways to the City of Pigs in the *Republic*," although More's society is a communist one. Bonar uncritically summarizes the system of "Production and Distribution" found in *Utopia* and argues with respect to "Civil Society and the State" that More advanced politically beyond Plato in his extension of the communism of Plato's Guardians to the whole population of *Utopia*. By so doing, Bonar claims (p. 64), More was "...introducing into the region of political theory the notion that there was a normal standard of outward comforts below which no human being could be allowed to fall without danger and disgrace to his country." To Bonar, this reveals More's main intent to be the improvement of the condition of the poorer classes—only an incidental concern with Plato [whose main preoccupation was the nature of justice and its political embodiment in the state]. Bonar recognizes another contrast with Plato in that More preserves family life in his ideal state and, in fact, makes the family unit the basic political unit of society. The state itself is conceived as one big family, organizing production and distribution as it would be organized within a family unit.

There is no entry for More in *The New Palgrave*, while Gregory Claeys' article (vol. 4, p. 784) on "Utopias" takes More quite literally as a proponent of an ideal communist society. For an article on More as well as "Utopias," it is necessary to turn to R.H. Inglis Palgrave's original *Dictionary of Political Economy*. J. D. Rogers' article on More (vol. II, pp. 816-18) begins with a brief biography and character assessment. It then ably summarizes the main aspects of More's *Utopia*, comparing it to several other works of that genre and noting that its "central conceptions

are economic,” although More’s vision of communism is interrogative rather than being dogmatic. Reverend M. Kaufmann’s article on “Utopias” (vol. III, pp. 602-4) terms them “social romances,” the purpose of which is to provide an imaginary vision as an offset to the “depressing actualities” of their respective author’s age. Arguing that the book is a critical reaction to the social conditions of the age of Henry VIII, Kaufmann asserts that More’s *Utopia* is a “coalescence of Hellenism and Hebraistic Christianity, in the conception of an economic ideal.”

In the first article he published as editor of the *Rheinische Zeitung*, Karl Marx identifies Plato as an early theorist of communism.<sup>i</sup> My own examination of this claim revealed that if it is descriptive, it is only trivially so.<sup>ii</sup> The communal elements of Plato’s vision of the ideal society are neither central to his purpose nor crucial to the structure presented. Apparently, Marx saw in Plato what he wished to see and ignored elements that conflicted with that belief. Later historians of socialist and communist theory, including Emile Durkheim, Alexander Gray and Max Beer, made the same error. Marxist scholar Karl Kautsky’s classic study of *Utopia* similarly led him to view Thomas More as a prescient early theorist of “Modern Socialism” and even to claim (p. 140) that “his socialism made him immortal.”

Taking More as an earnest advocate of communism also appears to be true of most scholarly commentators on More’s *Utopia* whose primary fields of interest are not in the intellectual history of economics, but lie within the humanities. Donner (p. 12) argues that More “was the first of the great humanists to identify himself wholeheartedly with the cause of the poor” with a (p. 11) “vigorous attack” on capitalism and the consequent advocacy of a communist system as an institutional curative for social evils. Although he also identifies More as an advocate of communism, Mumford’s assessment (p. 14) is critical in that he thinks that by so doing More supports a reversion “to the primitive condition of this aboriginal urban

organization: a managed economy under the direction of the king,” as were the ancient cities of the Near East.

Robert Elliott likens *Utopia* to an ancient satire in form, the Roman satirist Lucian having been one of More’s favorite authors; however, after saying that it is doubtful that we’ll ever know what More “really” thought of communism, Elliott (p. 192) concludes, “*Utopia* argues for the ideal of communism by the best test possible: More has given to Raphael Hythloday [the narrator of the story and advocate of the Utopian social order] all the good lines.” In contrast to Elliott, Adams argues against the view that the communist “fantasy” of *Utopia* is styled after Lucian; instead, he opines (p. 194) that “...the rigorous collectivism of the Utopians...was a way of enforcing the control of reason over man’s appetitive nature.” To the view that *Utopia* is a satire, he replies that (p. 202), “calling an uncomfortable idea a joke is an easy way of cutting down the great disquieting books of the past to the measure of our own parochial preconceptions.” But, a joke it is to C. S. Lewis, who claims (p. 219) that “it becomes intelligible and delightful as soon as we take it for what it is—a holiday work, a spontaneous overflow of intellectual high spirits, a revel of debate, paradox, comedy and (above all) of invention....” Lewis is willing to view the first book of *Utopia* as a serious critique of the social conditions of More’s day; however, he thinks that in the second book More “says many things for the fun of them.”

Other scholars within the humanities are less concerned with the “communism” of the social and political order depicted in the second book of *Utopia* and more with the question of the influence of More’s Christianity in guiding and influencing his thought. Nevertheless, they take him to be making a serious social proposal. Edward Surtz, editor of the Yale edition of *Utopia*, is in the forefront of those who take Rafael Hythloday to be the voice of More, rather

than being that of his opponent on the question of the ideal social order. Taking *Utopia* to be a work of literature, Surtz sees More to be (p. 2) “a zealous Catholic *reformer*” who expresses his own “ardent” views in the book. What More has done is (p. 4) “painted for Europe an *ideal commonwealth*,” a Christian one that emulates, yet rivals, Plato’s pagan ideal in *Republic*.<sup>iii</sup> Surtz’s humanistic interpretation of More’s purpose in writing the book is that (p. 6) More wished to shame the Christians of Europe by showing that “if pagans with the aid of reason can create a noble nation where it is better to be a slave than elsewhere to be a free citizen, Christians with the additional help of God’s revelation and Christ’s grace can eliminate all injustice and hate and build a new Jerusalem in Europe....” With respect to More’s views on communism, Surtz argues that More, like many of his contemporaries, believed that (p. 180)

God originally intended communism to be the social system best suited for human beings. Fallen man, however, divided up possessions hitherto held in common, and introduced the right of private property. When He came upon earth, Christ tried to recall at least His followers to the original arrangement made by God.

So, in Surtz’s interpretation, More, like other humanistic reformers, wished to contemplate the ideal as well as to recommend reforms among imperfect man that would take actual social conditions closer to ideal ones and inculcate the spirit of a communal life. More favored the ideal of communism, but recognized the reality of the institution of private property to social order among fallen men. The role of his own character, Morus, in *Utopia* is to voice practical judgments in opposition to the ideals of More/Hythloday.<sup>iv</sup>

In contrast to Surtz's position that More views private property as an institution that brings social order to fallen man, Frank Manuel (1967, p. 73ff.) argues that More's "device" of communism is intended "to eliminate the dissension that private property causes" by placing man in an institutional setting where his "benign instincts" are encouraged and harmful ones repressed. This will establish a utopia of "calm felicity." That the ideal institutional setting will produce the ideal man is also the position taken by Davis (1981). He places More's Utopia in the category of "perfect moral commonwealth" and (p. 58) summarizes:

More in the *Utopia* was claiming that community pressure could be made to correspond to and endorse conscience and that the way to achieve this was through institutional and legal regulation, supervision and control. Moreover, he was aware of an environment in which exactly this was done, the environment of the monastery.

The influence of the Christian monastic community on More's thought is also emphasized by Northrup Frye, who sees the ideal of the Utopian state as (p. 36) "an informing power and not a goal of action," a model "which once established in the mind, clarifies its standards and values." Agreeing with this assessment of the meaning of Utopia to More, Alexander (p. 35) opines, "...the theoretical construction of utopias will be valuable if it helps us to clarify our ideas of sovereignty, freedom, equality, justice, law and related concepts." Shklar expresses the same approach to understanding More by describing (p. 105) Utopia as "a perfection that the mind's eye recognizes as true and which is described as such, and so serves as

a standard of moral judgment.” The moralistic element of *Utopia* also receives strong emphasis by J. H. Hexter, who argues (p. 176) that

In its fundamental structure it is a great social instrument for the subjugation of pride. The pecuniary economy must be destroyed because money is the prime instrument through the use of which men seek to satisfy their yet insatiable pride.

Yet, there is social stratification in *Utopia*. Goodwin explains this by arguing that although they were united in opposing economic inequalities (p. 71) “...thinkers such as More, Fourier, Saint-Simon and Morris agreed that men had differing talents which must be harnessed to different productive functions, but sought ways to equalize economic rewards or at least to reduce differentials.” More’s proposal for redistributing goods is seen by Goodwin (p. 72) as “the socialist solution, which requires the communalization of all private property (in the sense of ‘capital’) and distribution according to need.”

George Logan (pp. 134ff.) makes the general argument that More's *Utopia* is the result of his attempt to reason like a secular city-state theorist in a "best-commonwealth" exercise. The central planning and economic communism in *Utopia* are thus parts of More's recipe for maximization of the happiness of the citizenry by rationalizing production and eliminating special privilege where possible. Unfortunately, a conflict (p. 212) "...between the achievement of the goal of maximizing mental pleasure and that of securing health, which entails the efficient production of necessary commodities..." is the result of communism--as Aristotle argued in *Politics*, Book II.

Logan speculates that More introduces several measures in an attempt to minimize this conflict, namely: (1) granting elders and officers of the state special privileges so that they have the time and authority to get the proper behavior from the rest of the population; (2) preserving the organization of the family to minimize social disruption; (3) allowing citizens to practice more than one profession in addition to being agricultural workers, so long as this doesn't interfere with production; and, (4) rotating the population through agricultural duties, except for those who enjoy the generally harsher working conditions of farming.

Against Logan's thesis it must be said that the conflict between measures adopted to achieve the general goal and measures adopted to minimize the undesirable consequences of the first set of measures is apparent; and, it vitiates Hythloday's (and the Stoics') theory ( *Utopia* p. 53) that there can be complete identity between the moral and the expedient in society.

A number of authors have perceived irony or satire in More's *Utopia*. Elliott has already been mentioned, and Donner (p. 9) identifies "humanist wit" in the book, as well as (p. 71) arguing for a role of deception on More's part in how the argument is presented. Surtz (p. 183) comments on the "skilled and subtle irony" with which More ends *Utopia* when he says that the communism of Utopia overthrows "all nobility, magnificence, worship, honor and majesty," which "are the true embellishments and ornaments of a commonwealth in the opinion of the populace." But, Surtz summarizes, "The whole purpose of *Utopia* has been to prove that these are *not* the qualities which should distinguish a commonwealth." Hence, we are to see irony in such a "criticism" of *Utopia* placed at the end of his book by More.

While he agrees with Surtz that More employs irony at the end of *Utopia* to mock the common opinion of desirable commonwealth qualities, Logan (pp. 5-6, 11) rejects the possibility that the entire book is "merely a satire of a 'repellant state.'" Instead, he argues that the "jokes"

and ironies in the book are (p. 4) intended to "create an ironic distance between More and the views of Hythloday." They also (p. 268) reflect the "sense of history" of Christian humanists like More and they (p. 269) serve the function of "sugarcoating the pill of knowledge" as well as "...to render both the full complexity of these views and the author's own complex attitude toward them."

#### A NOVEL INTERPRETATION OF *UTOPIA*

A relatively recent (1996) interpretation by Gerard Wegemer of More's purpose in writing *Utopia* places major emphasis on the element of irony in the work and stands in vivid contrast to previous interpretations.<sup>v</sup> Wegemer argues that any attempt to take Raphael Hythloday's communist commonwealth of *Utopia* also to be More's ideal commonwealth runs up against serious discords in the manuscript, as well as in the rest of More's writings, and is in conflict with the facts of the life and death of the man himself. More was preeminently a self-made classical statesman, a man who schooled himself in virtue and political philosophy throughout his life so that he might possess both the science and art of ruling. He was convinced (p. 4) "...that institutional arrangements could never substitute for personal virtue as the primary safeguard of political liberty." Instead, "rhetoric, political free speech, and the wide-ranging consultation and study encouraged by education are...necessary factors which the statesman must use and advance as much as possible." Irony and humor were two of More's rhetorical tools in (p. 7) "testing the character of those around him," and he studied and appreciated both dialectic and Socratic irony. Interestingly enough, as Wegemer points out, More considered literature to be the primary civilizing force in society rather than law, although the rule of law was indispensable. This was because (p. 81)

In great literature the reader must exercise his judgment and consider what would or would not follow if that fictional world were ‘both possible and true.’ This dialectical involvement and response are integral parts of the reading process of learned people.

As many others have argued, *Utopia* is a literary work—a great fiction devoted to a crucial politico/economic question: what is the best way of life? The primary narrator of the work is Raphael Hythloday, whose last name (“teller of lies”) and favorable comparison to Ulysses and Plato early on in the dialogue characterizes him as a notorious liar, and lie he obviously does at several points in his narrative. Wegemer argues (pp. 106-7) that More deliberately casts Raphael as a Gnostic master, one who believes he is the possessor of “secret and absolute knowledge.” But, (p. 106) it is a “fabrication that ignores important human and political realities”—human and political realities that More had spent his early life learning in preparation for civic leadership. In particular, More uses his knowledge of Cicero and Augustin to create in *Utopia* all that both thinkers oppose in a political order. Wegemer concludes that what More is really doing in the second book of *Utopia* is discrediting communism by showing it to be one among “overly simplistic systems of thought” and warning the reader against it. That is the irony in Hythloday’s favorable presentation and advocacy of the regime.

This paper is not intended to resolve the controversy between those who believe that *Utopia* presents More’s ideal communist commonwealth and those who argue that it is intended to encourage more serious and critical reflection on any ideal of communism—or, as Gerard Wegemer argues, to reject that ideal. Consequently, I will not review and contrast in detail the

arguments put forth in support of either position. Those interested in the details of the various interpretations of *Utopia* may consult the works cited. Not being a More scholar, but only a mere historian of economic theory, I am simply going to buttress Wegemer's position in the dispute with arguments from my own discipline. If irony was More's intention, then my argument also shows that he was more prescient concerning the failings of communism than even Wegemer shows him to be.

## THE IDEA OF SOCIALISM

Marx distinguished two phases of communism: the first or earlier phase of "crude" communism, where there is still a dictatorship of the proletariat and common ownership of the means of production; and the second and later phase, or "real" communism, where there is no political state and no ownership, either common or private. It has become conventional to refer to the first phase as "socialism" and the second as "communism." Consequently, it will clarify the present discussion if the term "socialism" is used to refer to the economy envisioned for the commonwealth of Utopia. In Utopia, there is a political regime and it is involved in the planning of the Utopian economy; it is not Marx's "real communism."

The historical debate over the actual feasibility of the economics of the planned economy of the socialist state is relatively recent. It began in the late nineteenth century and very quickly identified the key problem faced by any population that wished to establish and perpetuate a socialist planned economy. It is the same one faced by any population attempting any economy—how to make production and consumption decisions in the face of the fact that the material context within which any actual economy is set, socialist or not, is one of a scarcity of means to secure humankind's material ends. Decisions have to be made as to what ends to pursue and with what means. Further, some methods must be devised to determine how the

means that are available can be used to the best effect in achieving those ends. If resources or means are not infinite, then using the relatively more abundant resources and conserving the relatively more scarce ones implies greater conservation in resource use, i.e. more effective or “efficient” use of available resources. But, how does one identify relative abundance and relative scarcity?

With respect to the choice of ends, it is clear that either one person or several must decide for all others, or each member of the population must decide for himself or herself what ends to pursue, and which are relatively more valuable than others. Advocates of the socialist planned economy argue that no true planning can occur if the choice of ends is entirely left to the individual; and, the planning of the use of means to achieve the chosen ends is even more importantly a prerogative of the planners if the economy is to be managed so as to achieve the planned results for the population as a whole. Individual choice of ends or of the means to secure the chosen ends would disrupt the social plan. Needless to say, in such a system there can be no individual property rights. Otherwise, the claims of property owners would trump the use of means by the planners.

The questions of identifying the relative values of ends and the relative scarcity of means, as well as of planning the optimal efficiency in their use, were addressed by apologists for socialism and these proved to be vastly more difficult ones to answer. As we shall see, opponents of the socialist planned economy argued that, in fact, they were impossible to answer.

## THE THEORY OF THE MARKET ECONOMY<sup>vi</sup>

Economic theory proper, or “catallactics”—the theory of exchange—is concerned with constructing a theoretical framework within which the problem of scarcity can be confronted and its implications for human actions to achieve human ends can be inferred. The phenomenon of

exchange actually begins with the individual person. Every decision involving human action requires that something be given up in order that something else can be gained. The former is figuratively exchanged for the latter. What is to be given up is referred to as the “opportunity cost” of that which is to be gained. So, every decision—even that of the isolated individual—imposes a cost and involves an exchange of something preferred over something else. At the simplest level, time spent in one activity or complex of activities is time not spent in another, because a person cannot be simultaneously engaged in both.

A second basic principle of economics is that the larger a stock of anything that an individual possesses, the lower the value she or he places on any (interchangeable) unit of that stock. Known as the law of diminishing marginal (subjective) value, it is symmetrical in that it dictates that as a stock of anything is diminished in any way, the (subjective) value of individual units of that stock that are still in the command of the individual rise. This law leads to a decision principle: when choosing between two actions or material things, the lesser value is always to be sacrificed to gain the greater one, if maximizing value is one’s goal.

When the context is that of two individuals exchanging goods or services with one another, additional considerations come to the fore—most particularly those of limits to exchange activities and rates of exchange, or prices. These represent historical ratios at which one or more exchanges took place. The theory of market exchange argues that individuals engage in exchange activities so long as the value of what they receive by so doing exceeds the value of what they give up. The values in question are subjective to the trading individuals and rule their trading decisions in that they never knowingly trade a higher for a lower-valued good. Trading ceases when any one of two trading partners concludes that net value cannot be gained by engaging in any further trades.

The ratios of exchange, or market prices, represent historical records of the activities of trading individuals who are each attempting to maximize the value gained while minimizing the value lost. The prices are not the values themselves, but bear a relationship to them in that all trading individuals believe that they have received a value greater than the price they have paid in any specific transaction. Recalling that the price paid—that which is given up—is the opportunity cost to the individual of that which is gained, and that values are subjective to the individuals trading, then every individual who voluntarily engages in exchange gains value thereby--assuming an absence of error in his or her estimations of valuable trades.

Market prices also express the relative scarcities of the goods or services traded in that those in great abundance, whose individual units possess relatively low values in the assessments of trading individuals, will only be traded for other goods and services considered to be of low value. Consequently, the goods and services in question will command low prices in comparison to those that are less abundant and that possess relatively high values. Truffles usually are priced higher than other fungi.

In depicting the workings of an unhampered exchange or free market economy, economic theory assumes that choices of ends and means and all planning with respect to them occurs at the level of the individual consumer or production unit. It also assumes that all property is privately owned and, consequently, individuals are the sole decision-makers concerning the use of goods, services, and resources of whatever kinds in existence. Consumer goods demand is a consequence of ends chosen by individual consumers, who seek to achieve those ends at least in part through the consumption of the goods in question. Demand and supply conditions in consumer goods markets are reflected in relative prices in those markets. Consumer demand is reflected back into the markets for the goods that will be used to supply the consumer goods in

question. Producer goods are valued only because the consumer goods they can be used to make are valued.

Using the prices expected or historically set in consumer goods markets as an indication of revenue possibilities, production units attempt to acquire the producer goods that are necessary to produce the consumer goods in question at a lower total cost in order to obtain profits—the difference between revenue and costs. In so doing, they create markets for producer goods, whose prices are set by demand and supply conditions in those markets and thus reflect the relative scarcities of the producer goods in the same way as prices of consumer goods reflect their relative scarcities.

Now, almost all consumer goods either actually or potentially can be produced in a variety of ways. Each production technique involves a different combination of producer goods, for which the usual generic categories are labor, capital and raw materials. Within each category are a multitude of possibilities, and each possible producer good actually or potentially will be traded in its own market. Given that the goal of the production unit is to maximize its profit—the difference between total revenue and total costs—the production technique chosen for a given quantity and quality of a consumption good will be the one that costs the least. And, given that prices of production goods reflect their relative scarcities, this will be the technique that emphasizes the use of the relatively more abundant production goods and conserves the relatively more scarce ones. Since this is the case all the way back to the market for raw materials, i.e., natural resources, and given that economic efficiency is defined as cost-minimization, a market economy automatically makes the most efficient use of the resources available. Rather than being arbitrary, the actual choice of goods to be produced, as well as the techniques of production, will be ultimately dictated by the consumption choices of individuals

seeking their individual ends within the context of the known relative scarcities of means to achieve those chosen ends.

Most importantly, market prices are the basic units of calculation that make comparable everything exchanged, thus providing a means for individual market participants to adjust their personal plans to the plans of others. This is true in consumer goods markets, where each consumer attempts to obtain the bundle of goods that best achieves the ends he has chosen to satisfy through market transactions at the lowest cost, and thus where the structure of consumption and consumption goods markets is determined. It is also true in the derivative producer goods markets, where prices are used to calculate potential profit and loss and to determine the structure of production and of production goods markets.

The bedrock of the theory of the market economy is the assumption of enforceable private property rights. Without the command and control of property assured to the individual by his or her property rights, there can be no regularity and stability in the exchange of things. Without regularity and stability in exchange, there will be no prices set in markets that reflect market conditions of demand and supply, themselves reflective of relative resource abundance. Without such market prices, there is no basis for rational individual planning in consumption or production activities.

## THE CRITIQUE OF SOCIALISM

The founding rationale of the socialist planned economy is the absence of private property rights—most particularly for producer goods. Land, labor and capital are to be owned and administered by the state and production of all goods is to be planned from the beginning to the end of each production process. But, if there are no markets or market-determined prices for producer goods, then what is to be used as a unit of calculation? How can the heterogeneous

producer goods be compared for planning purposes so that production techniques can be chosen? How can one tell which resources and goods are relatively abundant and which are relatively scarce so that a rational and efficient use of resources can be attained? These are the questions that were raised by Ludwig von Mises in 1920 in his article “Economic Calculation in the Socialist Commonwealth,” followed in 1922 by his treatise, *Socialism: An Economic and Sociological Analysis*. The article and book initiated the “socialist calculation debate” in which socialist theorists attempted to reply to Mises’s questions and analysis.<sup>vii</sup> The actual failure of almost all socialist economies in the latter part of the twentieth century, and for exactly the reasons outlined by Mises seven decades earlier, led to a number of former advocates of socialism to publicly admit the obvious correctness of Mises’s original critique.<sup>viii</sup>

In the first part of his seminal article, Mises argues (1935, p.104) that “...as soon as one gives up the conception of a freely established monetary price for goods of a higher order [producer goods], rational production becomes completely impossible.” This is because monetary prices are the bases for economic calculation, the calculation of least cost techniques of production and of profit and loss. The former determines how a particular consumer good of a given quality can be produced at the least cost (i.e., using the relatively most abundant resources), while the latter determines whether the good can be produced at a profit—meaning, whether it can be produced to generate more value than is consumed in its production. As a consequence (1935, p. 110), “...in the socialist commonwealth every economic change becomes an undertaking whose success can be neither appraised in advance nor later retrospectively determined. There is only groping in the dark.” Production under socialism becomes ad hoc or arbitrary in its choices of techniques of production and, thus, in its choices of resources used to make production goods.

An additional point Mises makes is that directors and managers of socialist enterprises will lack responsibility and initiative because they lack a personal incentive to be accountable in their decision-making. Lacking ownership stakes in the enterprises, even if they can engage in rational calculation they will have little incentive to do so because their personal incomes and fortunes will not immediately be affected by their decisions. Mises denies that “commercial-mindedness” is anything inherent in men’s characters. Instead, he argues (1935, p. 120), “the entrepreneur’s commercial attitude and activity arises from his position in the economic process and is lost with its disappearance.” The lack of any identification of the interests of the socialist enterprise with his or her personal interests will mean lessened responsibility and initiative as compared to the situation in a private property, private enterprise regime.

To Mises’s critique of socialism, Friedrich von Hayek adds two additional points: the informational requirements of a planned economy will not only be vast, and insurmountable in practice, but some information needed for rational planning is impossible to obtain. With respect to the first point, Hayek (1948, p. 152ff.) argues that rational central planning will require the planners to accumulate a vast amount of detailed information on consumer preferences if there are no free markets in consumer goods, and if the purpose is to provide consumers with goods and services to their liking. Further, whether consumer goods markets were free or not, vast amounts of detailed information will be required from the production sector in order to produce whatever goods are chosen for production. Basically, everything known to engineers, designers, managers, technical experts of all kinds and all workers in the producer goods sector will have to be collected in a timely manner and used in the planning process. And, this is in addition to the basic problem of determining the relative value of all goods and services included in the comprehensive plan.

Hayek's second point is (1948, p. 202) that the knowledge of consumer preferences, production techniques, available resources and so on, does not exist in some total sum form, but is individually dispersed in any economy among the population. It is that knowledge that the planning entity will have to accumulate—and some of it is impossible to collect because it consists of individual subjective evaluations of costs or preferences that may not even be fully known by the individual person.<sup>ix</sup> Even if the socialist planners can surmount the practicalities of collecting all the information in a timely manner that is germane to planning the economy, and of constantly updating it so that plan coordination will persist through time, some important information is not collectible by its very nature and cannot be used in central planning. The manager of a state factory may subconsciously anticipate the failure of a particular machine, or hold an expectation of a need for particular services by her or his factory for the local population, or be implicitly aware that the cost of a particular expansion will be greater or less than previously anticipated. This knowledge will not be collectible and thus will not be included in the planning process, and this will be detrimental to coordinating the overall plan elements.

#### THE CRITIQUE OF THE PLANNED ECONOMY OF *UTOPIA*

As was previously argued, the primary requirement for a completely planned socialist economy is the absence of private property rights. Property rights allow individual control and use of property—resources—that it is the purpose of planning to control and use socially. Private property rights disrupt the planning process. Thomas More appears to recognize the signal importance of this requirement because he has Raphael Hythloday present the argument against private property at the end of Book I (1964, pp. 52-4) of *Utopia*, just as he is about to describe the ideal state in Book II. It is notable that Hythloday invokes the authority of Plato, while misrepresenting the argument found in *Republic*. Plato emphasizes justice as social order,

and requires communal ownership by the Guardians in order that their attention will not be diverted from their main goal of fostering and maintaining order in the state. Hythloday argues injustice as inequality in possessions and justice as equal distribution, and recommends it for the whole population.<sup>x</sup> He also states that it will result in abundance and happiness for all men, where Plato was neither concerned with the question of the quantity of goods in the ideal state nor with the personal happiness of its inhabitants.

In contrast, More's reply (1964, pp. 54-5) faithfully renders two of Aristotle's arguments against communal property from Book II of *Politics*. As Wegemer notes (p. 99), Hythloday has no answer to More's argument, but merely claims a special knowledge that communal property works in Utopia. It is difficult to avoid the conclusion that More deliberately has compromised the very foundation of the Utopian economy at the outset of its description with his refutation of Hythloday's argument in favor of communal property and against private property rights. More's arguments eighteen years later (2004, pp. 246-52) in favor of private property rights only add to the strength of this conclusion.

As Hythloday describes Utopia in Book II, it is an elective authoritarian state, with an agricultural-based, planned economy. There is no private property and the citizenry are assigned positions in the workforce to suit the needs of production in the economic plan. Every citizen is trained as an agricultural worker, as well as in at least one non-agricultural craft or profession, which are limited to those deemed essential. Employment in either agriculture or crafts is completely according to the needs of the state. All citizens work in a strictly scheduled workday except for the intellectual class, membership in which depends upon performance. It is also that class from which the officials and rulers are chosen.

Meals are taken in common dining halls, the sick are cared for in public hospitals and infants and children up to the age of five are nursed and live in separate quarters. Given that slaves do all the heavy labor and least desirable work, and given the strict social hierarchy observed in the living and dining quarters and the severe restrictions on travel, the picture painted is one of a highly regimented society with its production, consumption and leisure activities meticulously planned. No basis for the planning is presented, other than the assertions of the narrator as to what is considered necessary and desirable. The method of planning also goes unmentioned, but apparently is the fiat of the elected rulers.

Consumer goods are limited in variety and standardized in attributes and quality. They are available for distribution to the head of each household in each quarter of each city in “markets” where they are placed in storehouse buildings as they are produced. Distribution occurs when the head of each household takes what he requires from the city stores. This is no “market” in the economic sense of the term. There is no bargaining, no use of money, no price formation, no trading of one thing for another or of commodities for money. In fact, there are no “commodities” in the Utopian economy—“commodities” being defined in any economy as goods or services that are the subjects of exchange activities. There is no indication of how the requirements of a household are determined. Evenness in distribution of existing goods throughout the country is obtained by physical transfer of goods from regions where there is relatively more physical abundance to areas where there is less. In Hythloday’s words (1964, p. 83), “. . .the whole island is like a single family.”<sup>xi</sup>

Yet, Hythloday is not ignorant of the existence of markets somewhere because he has the Utopians selling any island “surplus” to other countries “at a moderate price” and then spending the proceeds on import goods or using them to wage wars. The wars are either those (1964, p.

76) of imperial expansion, retaliation for wrongs done to Utopians, liberation of oppressed people or to protect friendly nations from the invasion of others. Although not used as money internally, precious metals are stored up and used in war to hire mercenaries and as a prize for the assassination of the leaders of their national opponents. The Utopians even claim reimbursement for these outlays from their defeated opponents.

Given that More has Hythloday argue (1964, p. 149) that the extremes of wealth and poverty exist in contemporary societies because of the existence of money, and that crime, strife and poverty would be eradicated in a moneyless society, it is passing strange that he admits the existence of crime in his ideal (moneyless) society [criminals become slaves] and has Utopia use money as a tool of warfare. This internal contradiction in his argument only strengthens the view that More's *Utopia* is really an irony and that More was well aware of the indispensability of money in a complex society.

A family might not need money internally, but a complex society is far from one that can function as a family would. Obviously, the absence of internal prices makes the planning of production and consumption arbitrary, given the Mises/Hayek critique. More gets around the question of consumption choices by positing a population of compliant subjects, devoid of any ambitions other than obedience, and he avoids the question of production planning by positing a ruling class whose employment and production decisions are apparently arbitrary. Yet the ruling class engages in market transactions external to the society and uses prices in external planning. And, the ruling class is well aware of the incentives that prices provide for performance as shown by their purchases of iron imports and in their willingness to pay for assassinations.

In this portion of his narrative of Utopia, More reveals that he is not unaware of how markets actually function and of how men can interact in them to mutual benefit.<sup>xii</sup> But, his

Utopians act differently in their dealings with one another than they do in dealing with mankind as a whole. The dour lives of the Utopians may be what More wants us to see as the fruit of a planned socialist society. History has proven More to be strikingly prescient, if irony was his intention in Utopia. The socialist paradises of the imagination found no reflection in the sordid reality of the various historical socialist planned economies of the past two centuries.

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ENDNOTES

<sup>i</sup> See Marx (1972), pp. 47-8.

<sup>ii</sup> Bostaph, (1994).

<sup>iii</sup> Manuel (1967a, p. vii) quotes Socrates in Plato's *Timaeus* to wish he could see the ideal state of *Republic* in motion, and adds, "...it was not until some nineteen centuries later that Thomas More finally realized the Socratic wish in his *Utopia*." Wegemer (1995, 47) also takes *Republic* to be the model for *Utopia* because "both books force attentive readers to ask the deepest of questions about human nature and its personal and political needs." Although Logan (1983, 35) asserts that the character of Raphael Hythloday "seems designed for the role Plato's spokesmen play" in *Sophist*, *Statesman* and *Laws*, Logan (188-9) expresses agreement with White (1976) that it is Aristotle's treatment of the "best commonwealth exercise" in *Politics* that was More's template for *Utopia*.

<sup>iv</sup> Chambers (p. 149) finds that "...the remarkable thing about *Utopia* is the extent to which it adumbrates social and political reforms which have either been actually carried into practice, or which have come to be regarded as very practical politics." Logan (p. 259) sees in this the "modernity" of *Utopia*, both in proposals for social reform and in More's methodology of model construction, the latter being an extension of the Greek tradition that also characterizes modern political thought.

<sup>v</sup> See also Wegemer (1995, 38-9) on More's view of the role of comedy in "fostering reason."

<sup>vi</sup> This section necessarily sums a vast literature. Two sources were particularly of value: Menger (1976) and Mises (1966). Consequently, historians of economic thought will categorized the following treatment as an "Austrian School" one.

<sup>vii</sup> The key works in the debate include Mises (1935; 1951), the three articles by Hayek (1948) and Lange and Taylor (1964).

<sup>viii</sup> The most well-known of these admissions is that of Robert Heilbroner (1990).

<sup>ix</sup> Michael Polanyi (1967) refers to this latter sort of knowledge as "tacit knowing."

<sup>x</sup> See also (1964, pp. 147-50). Logan (p. 210) recognizes that More extends Plato's communism of possessions among the Guardians to the whole citizenry of Utopia to remove the "opportunity for selfish accumulation;" however, he adds that this will "secure distributive justice." These are two different principles and the latter is not Plato's, as Logan admits when he says (p. 210, n.69) that Hythloday "misrepresents Plato."

<sup>xi</sup> Aristotle also criticizes (*Politics*, 1261a1-20) Plato's argument in *Republic* that if citizens have all things in common, including wives, the state will have greater unity. Aristotle asserts that the nature of a state is to be a plurality; and, if it attained great unity, it would no longer be a state, but instead a family or individual. The state would have been destroyed.

<sup>xii</sup> In a footnote to Note I (Smith, *Essays*, p. 341) of his biography of Adam Smith, Dugald Stewart cites More as an early opponent of arguments for regulating international trade in order to obtain a favorable balance. He does so on the ground of a secondhand quote from a More speech before the House of Commons, of which he was the Speaker at the time.