

AUSTRIAN ECONOMICS AND THE END OF SOCIALISM

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Presented at the 6th Austrian Scholars Conference
Auburn, Alabama March 24-25, 2000

In his contribution to *The Elgar Companion to Austrian Economics*, David Prychitko makes a serious, although not so original, accusation: In their debate with other economists about the possibility of rational calculation in socialism, the Austrians, especially Mises and Hayek, suffered from "unnecessary scholarly confusion" (Prychitko, 1994, p. 229).

According to Prychitko, Mises and Hayek made, as it were, two mistakes: first, they maintained socialism was "empirically impossible," and, second, they lost their heads over, in the words of Prychitko, "the intellectual triumphs of the Communist regime" therefore giving legitimacy to a system that was not socialism at all, but "a system of state capitalism."¹

Thus, says Prychitko, we Austrians find ourselves faced with two problems. First, our "analysis will need to be clarified and critically re-evaluated as we move into the next century" (p. 227). Second, we will

have to explain "exactly what did collapse in the late 1980s and early 1990s" (p. 228, italics in original). Socialism, being "a system based upon de facto public or social ownership of the means of production, the abolition of a hierarchical division of labor in the enterprises and a consciously organized social division of labor," (p. 225) did not, could not for Prychitko, collapse because it simply never existed.

"To be consistent," Prychitko tells us, "Austrian economists cannot claim socialism finally collapsed, otherwise they face the embarrassing task of explaining how socialism--an economic system which they purport to be empirically impossible--lasted several decades, or indeed, how it lasted at all" (p. 228. Italics in original). Since "Austrian economists, unfortunately, are traditionally prone to commit this intellectual mistake," we are told that there is "a potential weakness [for the] applied Austrian systems theory," (p. 228) in interpreting "the history of interventionism in the twentieth century" (p. 229).

These are definitely serious accusations which, in my view, require some clarifications. Firstly, there is a lot at stake here because, as Don Lavoie said more than a decade ago, "The socialist calculation debate of the 1930s is widely acknowledged to have been the most important theoretical controversy in the history of the field of comparative economics" (Lavoie, 1985, p. 1). The Dutch economist Willem Keizer has called it "the greatest economic debate of the twentieth century," (Keizer, 1994) and Peter Boettke calls it the Austrian contribution to political economy (Boettke, 1996).

Secondly, the recent debate in the economics literature shows that socialist economists are back with new arguments, still insisting that socialism is not only possible but preferable to the market solutions. So, in many ways, we are at square one.

So we must ask first, have the Austrians, while accusing the mainstream of not understanding the real issue, really committed an even graver error by insisting that socialism is "empirically impossible"? More importantly, is it possible that Mises and Hayek were so sloppy in their analysis of socialism and "so completely" lost their heads over "the intellectual triumphs of the Communist regime" that all their accusations did was to "supply the Soviet government with an incontestable 'testimony' of having achieved the impossible aspirations of socialism..."²? Or is it that those who have been attacking the Austrian position³ themselves missed something important in the Austrian analysis and built their accusations on their own scientific inconsistencies?⁴

Prychitko is certainly not the first, and will not be the last

economist sympathetic to Mises's argument,⁵ to make such accusations. Lord Robbins, in his *Political Economy*, also thought that Mises, by pronouncing socialism impossible ("unmoeglich"), "deprived his position of much of its force..." (Robbins, 1976, p. 144).⁶ Now Prychitko tells us that Michael Polanyi was just as unhappy with both Mises and Hayek.

But there are several problems with Prychitko's -- and Lord Robbins', and Michael Polanyi's--analysis that require careful clarification.

To start, we must ask exactly where and when did Mises and Hayek say that socialism was "empirically impossible"? While, admittedly, there have been some who have insisted that Mises held socialism impossible,⁷ Hayek suffered from a totally opposite image; he has been accused of being too soft in the debate. It was Rothbard (1961) who first tried to explain this "curious legend": "Mises, in his original article, asserted 'theoretically' that there could be no economic calculation under socialism; Barone proved mathematically that this is false and that calculation is possible⁸; Hayek and Robbins conceded the validity of this proof but then asserted that "calculation" would not be 'practical.'" But, warned Rothbard, "[t]his legend is almost completely wrong from start to finish." (p. 549).⁹

Later Lavoie again accused "the standard view of the debate" of misrepresenting the truth. Mises, according to that version, denied (in 1920) the 'theoretical possibility of socialism even under static assumptions [which Barone and Wieser] had already refuted and ... Taylor ... and Dickinson merely reiterated by showing the formal similarity of socialism to capitalism ... Robbins ... and Hayek ... retreated [then] from Mises's 'theoretical' argument to a mere denial of the practicability of socialism (which was itself said to have been answered by Lange in 1936)" (Lavoie, 1985, p. 79, p. 117, p. 179).

WHAT DID MISES REALLY SAY?

Whatever the legends, the truth is that neither Mises nor Hayek held socialism as a politico-social system to be impossible. For them, the debate was not about the possibility of socialism but about the means the socialists were trying to implement to reach their goals. Applying the wrong means, Mises and Hayek were sure, the socialist system not only could not reach its ends but was doomed to create chaos, serfdom, poverty, and mass suffering.'

If we go back to the root of the calculation debate, to Mises's "Economic Calculation in the Socialist Commonwealth," we cannot find any statement that "socialism is impossible." What Mises is saying is that in a system in which "all the means of production are the property of the community," and there is a "special body" to decide "[w]ho is to do the consuming and what is to be

consumed," (p. 90) "rational economic activity is impossible." (p. 130, italics added) He does emphasize that "ethical" and "cultural" socialists, and those "guided by ascetic ideals" are not going to be influenced by his essay. Since they want socialism for different reasons than economic, Mises does not have any quarrel with them. It's those who expect a rational economic system from socialism that he warned to re-examine their views.¹¹

Mises knew too much about the life in monasteries, or some other communities which shared ideals of common poverty, or silence, or some other metaphysical goal, to declare socialism impossible.¹² That people who intentionally want to be poor, and deprive themselves of the amenities of life, can not only survive, but even be truly happy, was for Mises beyond any doubt.¹³

We should constantly keep in mind that the discussion at that time was about the economic efficiency of centrally planned socialism compared with the alleged inefficiency of anarchic capitalism.¹⁴ Socialists took planning efficiency for granted. The system they offered was a system in which the means of production would be collectively owned (although at the time they did not bother to explain whether it would be society-owned or government owned) and all economic activity would be centrally planned. In his article, Mises simply wanted to refute this logic and prove just the opposite: since the planners could not calculate, this kind of socialism would be totally incompatible with rational economic behavior.¹⁵

In *Socialism*, Mises continues to emphasize that "in the socialist community economic calculation would be impossible" (Mises, 1922, p. 112). And then he again explains why: "Where there is no market there is no price system, and where there is no price system there can be no economic calculation" (ibid., p. 113) Since, "It is the speculative capitalists who create the data to which [a manager] has to adjust his business and which therefore gives direction to his trading operations," (ibid., p. 121) for Mises the conclusion is evident--no speculation, no calculation. As in his article, Mises again concludes that while socialism is possible, "[t]he preceding investigations have shown the difficulties confronting the establishment of [such a] society" (ibid., p. 186, emphasis added).

To those who still misunderstood his previous writings, Mises, in his little-known article, "New Contributions to the Problem of Socialist Calculation," published in 1924, explains: "It was never doubted that [a socialist] society can dispose: I maintain that it cannot do so rationally, i.e. on the basis of calculation." (p. 118)¹⁶

In 1947, Mises warns the unconvinced, i. e., the huge majority of the economic profession, that "socialism will result in full chaos... [and thus] the standard of living of the masses will be low when compared with

conditions prevailing under capitalism" (ibid., p. 536).¹⁷ The reader must pay attention here to Mises' wording: "the standard of living will be low"; the standard of living cannot be low in a society that does not exist. In *Bureaucracy*, written in 1944 when the whole discussion moved from the central planning concept to the market socialism concept, Mises declares socialism "impracticable." Since "a socialist community would lack the indispensable intellectual instrument of economic planning and designing: economic calculation," socialism "must result in complete chaos" (Mises, 1944, 1983, p. 57).

In *Human Action*, Mises continues to argue with those who thought that rational economic activity was "possible" in socialism. He first emphasizes that some of them themselves could not have helped but admit their crushing defeat.¹⁸ "They no longer claim that socialism is matchlessly superior to capitalism because it brushes away markets, market prices, and competition [which was the "essence of socialism" when he attacked it in 1920].. On the contrary. They are now eager to justify socialism by pointing out that it is possible to preserve these institutions even under socialism. They are drafting outlines for a socialism in which there are prices and competition" (ibid., p. 706). Even they now admit that socialism with central planning is "preposterous and its realization would result in a chaotic muddle (ibid., p. 707).

Mises continues to emphasize that "[s]ocialism is not a realizable system of society's economic organization because it lacks any method of economic calculation," (p. 679, and repeated on p. 681) and although it is possible to interpret this as "socialism is impossible," the more proper interpretation would be that socialism cannot achieve, "realize," the promised goals.

So when the solution the socialists offered turned out to be market socialism, Mises's reply was not that market socialism as such was "impossible," but that a "socialist system with a market and market prices is as self-contradictory as is the notion of a triangular square" (ibid., p. 710). One can try it, but the only result is a waste of time, and, we may add, of human lives.¹⁹

But then Mises explains that there are indeed only two ways socialism can be realized: the Russian pattern and the German pattern. The former is characterized by the nationalization of all means of production and the central planning organization to which all other production plants must yield. The latter system preserves the private ownership of the means of production but the government directs all economic activity. In this way, both kinds of socialism end in a dictatorial mess. (Mises, p. 717-719)

Mises's position can be more clearly understood only if we pay attention to his methodological approach to economics. He strictly distinguished between means and ends. Ends, for him, were outside the scope of economics. Means, on the other hand, were what economics was all about. In *The Ultimate Foundation of Economic Science*, Mises, discussing socialism, established that, "[g]uided by the idea that definite ends sought can be attained either better or only by cooperation, men associate with one another in cooperation and thus bring forth what is called groups or collectives or simply human society" (ibid., p. 108). Since "[s]ocial cooperation among individuals-- society--can be based either upon spontaneous coordination or upon command..." (ibid., p. 109), one of the main problems a society faces is "to anticipate the future demands of the consumer" (ibid., p. 51, italics in original). In a system, like socialism "which cannot resort to any economic calculation, the making of decisions concerning [the future demand] is mere gambling" (ibid., p. 69). So, even if socialism will do something right, sporadically, it will be pure luck, and when the luck runs out the consumer will have to pay for the mistakes of the planners with their lower standard of living, if only with that. Mises would repeat this position several times during his life. In his *Critique of Interventionism*, we are warned that "interventions...can never achieve the objectives which the authorities aim to achieve." (Mises, 1929,p.16) In an article from 1960 in which he was reviewing Hayek's *Constitution of Liberty*, he had this to say about socialist ends and means: "These policies never attain those, allegedly beneficial, ends which the government...wanted to attain, but, on the contrary, bring about the state of affairs which--from the very point of view of the government and its supporters--is even more unsatisfactory than the previous state of affairs they wanted to 'improve'" (Mises, 1960, 1990,p.152, italics added).

In his *Notes and Recollections*, Mises also explains himself: "In my analysis of these [social cooperation] theories I introduced a new point of view, the only one that allows a scientific discussion of these political questions. I inquired into the effectiveness of the chosen means to attain avowed ends, that is, whether the objectives which the recommended measures were to attain would actually be achieved by the means recommended and employed. I demonstrated that an evaluation of the various systems of social cooperation is rather pointless when conducted from an arbitrary point of view. Instead, what only is significant is to judge what the systems indeed accomplish" (Mises, 1978, p. 114). Two pages later, Mises tells us that "the socialist system leads to chaos because economic calculation is impossible"(ibid., p. 116). But, Mises adds, even capitalism may be in trouble: "If it is true that men cannot tolerate capitalism for psychological ("seelish") reasons, then of course capitalism will fail" (ibid., pp. 116-117). (As far as I know, nobody ever accused Mises of declaring capitalism impossible!)

HOW DID HAYEK EXPLAIN MISES?

Hayek, who had in the 1930s joined the battle with his Collectivist Economic Planning, tried to emphasize that for Mises "socialism made rational calculation impossible" (Hayek, 1935a, p. 36). To those who were not paying attention to this distinction of great importance, Hayek then explained: "Of course any proposed course of action, if the proposal has any meaning at all, is possible in the strict sense of the word, i.e., it may be tried. The question can only be whether it will lead to the expected results that is, whether the proposed course of action is consistent with the aims which it is intended to serve"²⁰

So, Hayek, in his own discussion about socialism, basically was repeating the same thing.²¹ Socialism, as an end, can be desired or not. Here science can help us but very little; the ultimate ends "cannot be proved or disapproved. All that we can rationally argue about is whether and to what extent given measures will lead to the desired results" (Hayek, 1935, p.16).²² Since both Mises and Hayek were "concerned only with the methods to be employed and not with the ends aimed at," the fundamental question was "whether it is possible under the complex conditions of a large modern society for [the] central authority to carry out the implications of any [aggregate] scale of values with a reasonable degree of accuracy, with a degree of success equaling or approaching the results of competitive capitalism" (ibid., p. 17).

In his last work, Hayek showed that after more than fifty years his position stayed the same.²³ It is "socialist aims and programmes" that he believed to be "factually impossible to achieve and/or execute..." (Hayek, 1988, p. 7). Hayek did not need to spend a lifetime of watching socialist countries going from bad to worse to conclude that "socialism cannot possibly do what it promises" (ibid., p. 8). Back in the 1930's he agreed with Mises's "essential point" that "an economic use of the available resources was only possible if [the] pricing was applied not only to the final product but also to all the immediate products and factors of productions, and ... no other process was conceivable which would take in the same way account of all the relevant facts as did the pricing process of the competitive market" (Hayek, 1935, p. 33). So, socialism must end up in a calculational chaos.

Fifty years later Hayek concluded "that one of the most influential political movements of our time, socialism, is based on demonstrably false premises, and despite being inspired by good intentions and led by some of the most intelligent representatives of our time, endangers the standard of living and ' the life itself of large proportions of our existing

population" (Hayek, 1987, p. 9).

The whole debate about the difference between the calculation argument and the knowledge argument, so dear to some Misesians and Hayekians, is totally pointless. As David Gordon (1998) noted very recently, "Hayek intended his knowledge argument only as a supplement to Mises's calculation argument."²⁴ It is important to emphasize that Hayek never admitted the theoretical possibility of socialist calculation.²⁵ He "admitted" it was not "logically contradictory." (p. 207) But, just because it is "logically conceivable" does not mean it is "a possible solution." (ibid)

Hayek's position, misinterpreted by his enemies on both the right and the left, was that even if such calculation were possible, the problem wouldn't be solved because "the calculation of the central planning authority would have to treat the existing body of instrumental goods as being constituted of almost as many different types of goods as there are individual units." (Hayek, 1935, p. 209) Echoing Mises, Hayek then explains the main problem of socialist calculation: "Two technically similar goods in different places or in different packings or of a different age cannot possibly be treated as equal in usefulness for most purposes if even a minimum of efficient use is to be secured." (ibid., emphasis added)

It is not important to find out the number of equations that the central planner will have to solve. It is more important to find out the usefulness of a glass of water in the Sahara Desert compared to the usefulness of the same glass of water in Marion, Indiana. This practical knowledge cannot be simply programmed into computers, but only discovered by active participants in the market. To articulate that kind of knowledge, no matter how complex the mathematical model, was, for Hayek, "a task beyond human capacity." (p. 211) As Boettke (1997) shows, Hayek was not so much concerned whether a socialist plan can be executed. For Hayek, a more important thing was to find out "whether the plan ... would achieve the desired end." (Boettke, p. 35)

Prychitko, who himself states that Mises held "the primary economic goal of a socialist system-- rational economic planing--impossible," quotes Mises as saying that "at best, socialism 'is only conceptually possible'" (Prychitko, p. 227). Aside from contradicting his own accusation that Mises held socialism impossible, this is nevertheless a serious misquotation of Mises' argument.) Mises (1920, p. 109) explains at that point of the article the "static state." In an unchanging economy, the argument goes, "we might ... conceive of a socialist production system which is rationally controlled from an economic point of view. But this (a changeless, static economy) is only conceptually possible." (italics added) Why? First, "a static state is impossible in real life"(ibid., p. 109). Also, socialism

must "change all economic data in such a way that a connecting link with the final state of affairs in the previously existing competitive economy becomes impossible. Thus in the socialist commonwealth every economic change becomes an undertaking whose success neither appraised in advance nor later retrospectively determined ... Socialism is the abolition of rational economy." (ibid, pp. 109-110) Nothing more and nothing less.

HOW DID OTHER ECONOMISTS DEFEND MISES?

The debate involved a number of economists on both sides. Trygve J.B. Hoff (1938) thought that Mises, by treating the problem of economic calculation in socialism "theoretically and scientifically," did "not exclude the possibility of his having had socialist societies in the world of reality in mind when he [had] denied that such societies can calculate economically." (p. 292) And then Hoff adds, "The fact that, in practice, economic calculation is impossible in a socialist society whose aim is the maximum exploitation of existing resources in order to satisfy the needs of community does not, of course, mean that a socialist society cannot exist--at any rate for a time." (p. 295)

Dominick Armentano (1969) explained Mises as saying that "socialism with economic efficiency remains an impossibility..." (p. 135) All others, Lionel Robbins, Georg Halm, and Friedrich von Hayek, according to Armentano, held "that socialism or social planning was incapable of rational, efficient operation." (p. 136)

John N. Gray (1982), a political philosopher, believes that "one of Hayek's principal contributions in economic theory is the refinement of the thesis of his teacher, Ludwig von Mises, that the attempt to supplant market relations by public planning cannot avoid yielding calculational chaos." (p. 36) After dealing with the usual details about the debate, Gray concludes that, for Hayek, "the impossibility of socialism is an epistemological impossibility." (p. 39, emphasis in original) Socialism cannot achieve its goals because of "its neglect of the epistemological functions of market institutions and processes." (ibid., emphasis in original) In Lavoie's view, "Mises was not denying the validity of the 'pure logic of choice' for socialism; he was, on the contrary, insisting that central planners must find a way to apply this kind of logic to socialism or they will be doomed to calculational chaos and be unable to use resources efficiently." (Lavoie, 1985, p. 20) "Certainly," explains Lavoie, "a socialism that retains some exchange relations--for consumer goods and labor, for example--while taking conscious control of the means of production is conceivable." (p. 75) But, emphasizes Lavoie, both Mises and Hayek insisted that the central direction of economic life can lead only "to results contrary to the intentions of its own advocates: It will cause a

substantial reduction of the general wealth of society, and, if this attempt is uncompromisingly pursued, will result in serious economic collapse." (p. 158)

For Eamon Butler, "it was the impeachable demonstration of the impossibility of rational economic calculation under socialism that was the most devastating of [his] themes." (Butler, 1988, p. 18) After quoting Mises's statement from Socialism that "socialism must fail," Butler emphasizes that Mises accepted the fact that "[i]n practice socialist states have persisted for some time" (ibid., p. 48) "Of course," concludes Butler, "it was the theoretical essence of the socialist argument that Mises set out to attack..." (ibid, p. 54)

David Ramsay Steele (1992) finds Mises's challenge "the most powerful objections...to Marxian socialism." (p. xvii) Still, Steele believes, "[i]n Mises's writings, his claim that socialism is 'impossible' is always clearly intended to mean the NFM [non-factor-market socialism] is not practically feasible, and nothing more. For example, the chapter concluding the discussion of economic calculation in 1922 [Socialism] is headed 'The Impracticability [Undurchfuhrbarkeit] of Calculation in Socialism'. Throughout the discussion of economic calculation from 1920 on, Mises alternates freely between the terms "impracticability" and "impossibility" in a way that clearly indicates he is using them as equivalent expressions. Mises never states, hints, or insinuates that socialism is impossible 'in theory', or 'logically' impossible." (p. 109) Steele's argument is that "Mises doesn't dispute that a form of 'socialism' may be possible at a low level of production and living standards, but he doesn't dwell on this, since the main thrust of socialist argument is that socialism will produce more than capitalism, not far less." (p. 93)

According to G.R. Steele (1993,1996), Mises "set out to refute the possibility of a rational distribution of resources under socialism." (pp. 106-107 and 109)

Recently, Israel Kirzner has emphasized that Mises's point was that "lacking the guidance provided by market prices for resources," socialist planners cannot "plan rationally." (Kirzner, 1997, p. 68) And then Kirzner adds: "Socialist production could certainly be undertaken, but socialist planners could not ensure that the array of outputs produced represented the most desirable possible array." (ibid., p. 69) For Kirzner, Mises's message was clear: If socialism means a centrally planned economy, the planners will not be able to plan.

When later socialists themselves admitted that Mises had been right and switched to market socialism, Kirzner shows, the ensuing fight was not

about the possibility of socialism, but about the possibility of simulating the operations of the competitive markets in a socialist political setting. (ibid., pp. 69-70)

DIFFERENT INTERPRETATIONS OF MISES

So if Mises never said that socialism was impossible,²⁶ who tries to put these words into his mouth? On the opposite side of the ideological spectrum, they appear to be those who have wished to portray him as "extreme."²⁷ This approach has been a favorite tactic of the left for the last century. Once one succeeds in labeling the opponent as an extremist, half of the job has been done, especially if one can also prove "empirically" one's case. But these are not my worry.

It is "our side," that I want to analyze, and here there are two groups. The first one consists of those who saw that Mises was basically right and did not bother too much with semantics. They treat the statements "economic calculation is impossible" and "socialism is impossible" interchangeably because they believe that it is what Mises had in mind.

A good example is George Mason University economist Karen I. Vaughn. In the two articles, both from 1980, she establishes early that the debate was about "whether it was possible for a real economy to operate efficiently without free markets and without private ownership of capital and land," (Vaughn, 1980a, p. 535) and "which form of economic organization yields the most desirable economic consequences, capitalism or socialism." (Vaughn, 1980b, p. x) Offering her "crude synopsis of the economic calculation debate," she emphasizes that "Mises wrote an article claiming that rational economic calculation was impossible under socialism." (Vaughn, 1980a, p. 537) Later, she reiterates that Mises held economic calculation under socialism "totally impossible." (p. 539)

Hayek, according to Vaughn, "argued specifically that while the models the socialists were using to arrive at their solutions to the pricing problem were not logically contradictory and socialism was not therefore impossible in the sense of being theoretically inconceivable, it was nevertheless practically impossible since socialist models bore no relationship to the manner in which the prices were formed in the real world." (p. 543) Unfortunately, in the accompanying footnote, Vaughn, quoting Hayek, pays more attention to the "impossibility" argument than to the words "the achievement of the desired end." (Ibid) It is in this very sentence that Hayek also establishes that it is not socialism that is "impossible," but the socialist "desired ends"--higher efficiency, more justice, whatever.

So, not surprisingly, Vaughn's statement that "Incredibly, Hayek's sophisticated insight was misinterpreted to mean that, unlike Mises, Hayek conceded that

socialism is possible, but that he was just raising practical objection to its implementation," (Vaughn [1980b], p. xvii, italics added) must have created additional confusion here. Trying to defend Hayek against Oskar Lange's accusation that he (Hayek) retreated to the "second line of defense," Vaughn allows the reader to misinterpret both, Mises' and Hayek's, positions as "socialism is impossible," despite the fact that both of them denied this position, and what she herself establishes in the articles. Though she is right that Lange's accusation was "accepted by the profession as correct with the unhappy result that the substance of Hayek's criticism was lost," (Vaughn 1980b, p. xvii, see also 1980b, p. 544) her defense of Hayek can only add to confusion.

She repeats the same imprecision in connection with Lange's "On the Economic Theory of Socialism," which was "intended to be a final refutation of Mises' claim that socialism was impossible," (p. xxi) and then again in trying to deal with Hoff himself, explaining that "unlike Mises, Hoff does not claim socialism is impossible, only that it cannot result in the 'maximum satisfaction of human needs,'" (p. xxxi, italics added) therefore confirming the widespread belief about Mises' alleged position. But Lange was accusing Mises about "economic calculation [being] impossible in a socialist economy," (Lange 1938, p. 58) or "the possibility of economic accounting under socialism." (p. 59) Mises, as I try to prove, was saying exactly what Hoff was saying.

In "The socialist calculation debate" (Boettke, 1994), she makes clear that "Mises wrote an article claiming that socialist central planning was inherently irrational and hence impossible to achieve." (p.478) Still, after explaining the content of Mises's article, Vaughn concludes: "Socialist economy, therefore was impossible," (p. 479) obviously meaning impossible to reach desired ends. Later, in *Austrian Economics in America* (1995), Prof. Vaughn stresses only the impossibility of socialist calculation. Both Mises and Hayek, according to her, were trying to convince the socialists that "[u]nless socialism can develop institutions that permit it to adjust to constant change in a responsible way, it will remain an impractical solution to the economic problem." (p. 44)

Does Karen Vaughn then suffer from "unnecessary scholarly confusion," as Prychitko calls it in his essay? If semantics are more important than the content, she's guilty. But, if what she has been trying to clarify the importance of the whole debate and make it more familiar to a new generation of students, then Prychitko's criticism is mostly misplaced.

Another Austrian who belongs to this group is the Spanish economist Jesus Huerta de Soto. He too uses the impossibility of socialism--which for him

means "any system of institutionalized aggression against the free practice of entrepreneurship" (de Soto, 1995, p. 238)--and the impossibility of socialist economic calculation interchangeably. Socialism is for him impossible in the long run. Sooner or later, it must end.

The most persistent advocate of "socialism is impossible" theory is by far Pritchko's friend and collaborator on many books and articles, Peter J. Boettke. In an otherwise excellent book, Boettke tries to convince the reader that "Socialism was an example of a theoretically impossible utopian dream. Given socialism's own goals of increased productivity and the moral improvement (and man's emancipation from the oppressive bonds of man and nature), the institutional demands of its project were inconsistent with the attainment of those goals." (Boettke, 1993, p 5)28

So far so good. But, unfortunately, Boettke here falls into the same trap of which he accuses his opponents. While accusing the opponents of free markets of not understanding the actual workings of an exchange economy, therefore requiring from it a perfection,²⁹ he himself requires the same from socialism --socialism is either ideal,³⁰ or it doesn't exist.^{31 32} But if, as Boettke correctly defines it, "Socialism simply means a social system of production based on public ownership as opposed to private ownership," (p. 47) socialism is logically possible.

While I can agree with Boettke that "the central system was theoretically incoherent," and "could not engender the incentives or mobilize the information necessary to coordinate successfully the multitude of economic plans required in an advanced industrial economy," (p. 65) and as the consequence of this "the black market [was] pervasive in the Soviet economy," (p. 31) I fail to see why he refuses to call it socialism. Since the means of production were not privately owned and market participants were not free to produce and consume according to their own wishes, it was socialism. Mises (1966, p. 706) himself defined socialism as a "system without a market and market prices for the factors of production and without competition; it means the unrestricted centralization and unification of the conduct of all affairs in the hands of one authority."

True, there are many more economists who argue that true socialism can only exist if workers own the capital goods, individually or as worker cooperatives. For them, it is the only way to end the alleged exploitation of workers by the capitalists, i.e. owners and managers of capital. The Soviet variant of socialism, the dictatorship of the proletariat, although in theory supposed to be a temporary agent of the workers, eventually failed because one exploiter, the capitalist, was replaced with another, the state. From their point of view, the USSR was neither socialist nor Marxist but a form of "state capitalism." But, this is a position they

took only after getting disappointed with the course of events in the Soviet Union.

In a later work, Boettke (1997) is even more convinced that "socialism is impossible..." (p. 41, emphasis in original). The reason is simple: "[T]he institutional configuration of socialism precludes economic calculation by eliminating the emergence of the very economic knowledge that is required for these calculations to be made by economic actors." (ibid., emphasis in original) But that only proves that socialism will never achieve its goals, not that it is impossible: as a chaotic, tyrannical, and wasteful economic system it can exist for decades. It is Boettke himself who quotes Hayek saying: "socialist aims and programmes are factually impossible to achieve and execute..." (p. 44)

Very recently Sheldon Richman (1998) joined Boettke in proclaiming that "Mises concluded ... that socialism was impossible--literally incapable of being realized." (p. 23) For Richman, people miss the point when they believe that the existence of the Soviet Union proved Mises wrong. First, the Soviet Union existed as a socialist economy only for several years. When the system ended in "planned chaos," Lenin came up with the New Economic Policy, and "[n]o Soviet leader ever tried to abolish the market again." (p. 24) Second, the fact that other socialists moved from central planning to "market socialism" was "actually a surrender." (ibid.) Again, the short term-long term problem is overlooked: socialism did exist and was possible short term. Long term, as proved above in the discussion about Mises and Hayek, socialism is indeed doomed.

The second group would consist of those who, like Joseph Salerno, wanted to prove that Mises was alone in being right. Only Mises was an uncompromising fighter against socialism. Everybody else was too happy to compromise by saying that socialism (or "socialist economy") was possible.³³

But there is a problem with the latter position. If, as Herbener shows (Herbener, 1991, p. 37) "[o]nly Mises has accepted Menger's basic deductive procedure," and if, as Herbener shows, Menger held that "[t]esting exact theory of economy by the full empirical method is simply methodological absurdity," (quoted in ibid, p. 36), then Mises could not have said that socialism was impossible. Whether socialism is possible or impossible is an empirical question. Whether socialism can achieve its goals applying certain means is a scientific question.³⁴

Looking at Mises's and Hayek's battle from today's perspective, it seems to me that Mises and Hayek were fighting it together.³⁵ Since they understood that the "central issue of those debates concerned the ability of a socialist economy to achieve allocative efficiency," (Persky, 1991, p. 229) both presented their

own ideas on the theoretical impossibility of efficient economic calculation under socialism (Hayek always emphasizing his intellectual debt to Mises), and both had dire predictions for those set out to try it. Their argument was about the wrong means to achieve some (allegedly) noble goals, and a high cost the countries pursuing those goals would have to pay. To those who believed that socialism would be able to solve some of the problems they brought about, Mises and Hayek had almost identical predictions: socialism must end in disaster. These predictions, of course, proved to be right.³⁶

As for "the embarrassing task of explaining how socialism--an economic system which the purport to be empirically impossible--lasted several decades, or indeed, how it lasted at all," (ibid.) and as for explaining "exactly what did collapse in the late 1980s and early 1990s;" (ibid.) it is easy: Mises and Hayek, and many other Austrians, never said that socialism, or Communism, were empirically impossible, so, once tried, all kinds of socialism, from the Soviet tyrannical communism to the Yugoslav guild-socialism self-management, with all those goulash reforms that they tried in the meantime, were doomed to fail in producing ends they had promised. (If all reforms that the Communist countries tried were itemized here, the essay would have to be hundreds of pages longer. Suffice it to say that both Lenin and Tito had to reform their system after only three years of practical existence; Lenin offered his NEP, Tito workers' participation, both switching their systems into a form of syndicalism.) Despite all possible theoretical alternatives socialist thinkers offered, nothing worked.³⁷

Historically, socialism went from using slave labor to receiving hundreds of billions of dollars as aid and loans from the West. Constant reforms were supposed to create an illusion that the socialist problems could be solved and the socialist paradise was just around the corner. When the peoples living under socialism finally got tired of the tyranny, slavery, promises, and reforms, and raised their heads, the system was finished. As W.W. Bartley III once remarked, "People are made dreadfully unhappy--indeed, plunged into a sort of insanity--when their work is not acknowledged: when it or their co-operation is taken for granted. They also may become distraught when they are not acknowledged, as for example when their time is casually stolen by thieves or bosses or colleagues." (Bartley, p. 440) Socialism made people unhappy and distraught, not equal, more prosperous, or less alienated.

In its most severe form, socialism produced not only a severe reduction in the standard of living but famine and starvation; not only waste and irrational use of resources, but forced labor, police rule and gulags--a tyranny previously unknown in human history,³⁸ and the remaining communist countries experience exactly the kind of end Mises and Hayek foresaw. In

its more democratic form, socialism ended up with a total corruption of the ruling class, huge foreign debts, and an army of geistarbeiter, people who voluntarily left their countries to be "exploited" by capitalists of Western Europe, America, Australia, even South Africa.

In the end, those who wanted to plan the whole economy and those who wanted to "guide" the market using social planners, had to admit their failure.³⁹ And that was what Mises and Hayek tried to warn about. As Hayek wrote in his "Foreword" to *Socialism*, "Socialism promised to fulfill our hopes for a more rational, more just world.... [Mises's] Socialism told us that we had been looking for improvement in the wrong direction." (Hayek, 1978, p. xix) As Murray Rothbard explained, "[s]ocialism cannot calculate and hence must either shift to a market economy or revert to a barbaric standard of living after its plunder of the preexisting capital structure has been exhausted." (Rothbard, 1970, p. 261)

Whether Mises and Hayek won the theoretical debate depends on the theoretical knowledge, and even taste, of those who do the judging; that they won the practical side is beyond any doubt. The reputation of Joseph Schumpeter notwithstanding, the question "Can socialism work?" is now definitely answered: Of course it can't. (Schumpeter, 1942, 1975, p. 167) But, as Bruce Caldwell recently remarked, "Every failure convinces the committed socialist not of a flaw in socialism, but that the wrong blueprint has been tried." (Caldwell, 1997, p. 50)

Socialism, or something that Prychitko and some of his colleagues refuse to call socialism, collapsed in the late 1980s and early 1990s, because it couldn't work. But there is even more to it. The suffering of the peoples who had to experience it did not stop with its end. What they are now discovering is that it will take much longer than anybody supposed to reintroduce a workable market economy.⁴⁰ That means that socialism has not "finally" and "literally" collapsed, and Prychitko is right in warning us that "Austrian economists cannot claim socialism finally collapsed," (Prychitko, 1994, p. 228, italics in original) but his reasons are wrong.

Since all economic systems are, and will be, imperfect, socialism, as an intellectual movement at least, will always exist.⁴¹ Free markets, offering less than a perfect solution, will always be challenged with a picture of a kinder and gentler socialism. People, especially intellectuals, will always dream about "justice," "fairness," "cooperation," "production for use, not profit," or any other catchy slogan that will come along. No amount of theory, no amount of education will destroy people's striving for utopia.⁴² As a practical movement, socialism has an even brighter future: those who believe that its philosophy was right, that it was the wrong people who

tried to implement it, will try it again.⁴³ And again. And pay a price for it, again and again.

But one cannot blame the Austrians for that.

NOTES:

1 Here Prychitko, agreeably, quotes Michael Polanyi's article "The Foolishness of History." (Encounter, 9, (5), November 1957).

2 Michael Polanyi, *op. cit.*

3 Another famous free market economist who was unhappy with Mises's attack on socialism, but for different reasons, was Frank H. Knight. About his case, see Rothbard (1991), especially footnotes 16 and 17.

4 In a recent article, Steven Horwitz in a footnote says that "referring to Soviet-style economies as 'socialist' is to give them too much credit." (Horwitz, 1996, p. 15, fn. 4) Credit for what? Is a socialist economy supposed to perform better by definition? Does that mean that the Soviet Union could have lasted if it was really socialist and not, as accused by some (more about it later), of not being socialist? Horwitz also joins Prychitko in the same accusation: "Indeed for Mises and Hayek to have referred to those economies as 'socialist' seems to fly in the face of their own argument against the possibility of having a planned economy." (*ibid.*)

5 From the other side, the examples are too numerous to be mentioned here.

One example, worth

mentioning is Robert Heilbroner. In his "Reflections: After Communism," he explains that at the time

when he studied economics only a few economists "expressed doubts about the feasibility of centrally

planned socialism. One of them was Ludwig von Mises, an Austrian of extremely conservative views, who had written of the 'impossibility' of socialism, arguing that no Central Planning Board could ever gather the enormous amount of information needed to create a workable economic system....It turns out, of course, that Mises was right." (p. 92)

6 Lord Robbins was evidently so impressed with the statistics coming at that time from some of the

Communist countries, that he added, "the use of such a word in a world in which Collectivist systems

were churning out vast quantities of stuff which, whether or not it corresponded to the von Mises ideal of rationality, had some use for some purposes, was bound to give rise to skepticism." Today, we know that what those economies were "churning out" was either pure junk or false statistics. The best example of the difference between the capitalist and

socialist production is to put side by side a BMW, produced in the capitalist Germany, and a Trabant, produced in the socialist Germany. From a statistical standpoint, both countries produced a car; from a Misesian standpoint, East Germany deprived its citizens of a higher standard of living without giving them anything in return.

7 As Lavoie shows (1985, p. 152-153), whether Mises held socialism impossible depends on two meanings of the word impossible. " After explaining both meanings, Lavoie says, "Let us assume that Mises was not careless with words but really meant that socialism was impossible," but only to explain both, Mises and Hayek, "were making the same point: that attempts to replace market institutions with the central direction of production would lead to a significant drop in standard of living, and if the use of prices ... were permanently and completely abandoned, nothing short of complete economic collapse and reversion to the conditions of a primitive peasant economy would eventually result." Nevertheless, Lavoie agrees (with Hayek) "that Mises's choice of words was in some respects most unfortunate." (p. 153) See also Butler (1988) on this topic.

8 Interestingly, most economists on both sides missed the most important part of Barone's article: "The Equations of the Equilibrium [are] insoluble a priori It is necessary to solve equations afterwards. And that is the problem." (Barone, p. 286-287). And then comes his sarcastic conclusion (missed by so many mathematical and, unfortunately, Austrian economists): "To promise increased welfare and to propose to 'organize' production and to preach about free love in the new regime is simply ridiculous nonsense." (p. 290) Those who believed in computers, like Lange, did not understand the problem. The problem is which millions of equations to feed into a computer, not the speed of the computer. Barone, as well as Hayek, understood that, but many still don't.

9 In the connected footnote, Rothbard mildly scolds Hayek and Robbins for taking "an unfortunate position," the one "that socialist government could not calculate because it simply could not compute the millions of equations that would be necessary. This left them open to the obvious retort that now [1961], with high-speed computers available to the government, this practical objection is no longer relevant." (p. 901. n. 620) As footnote 8 shows, even today the objection is still relevant.

10 Caldwell reminds us that in "The Present state of Debate," (Hayek, 1935) Hayek already in 1935 called the "Russian experiment" "a failure." (Caldwell, 1997, p. 15)

11 Emphasized also in Lavoie, p. 154.

12 Walter Block (1982) distinguishes between voluntary socialism--like the family, the kibbutz, the monastery, the urban or rural commune, the experimental utopias which flourished in the past century--and the coercive socialism. The former are simply based on the axiom of some income distribution.

13 Erich W. Streissler (1992) tells how W. Roscher, in 1854, thought that socialism ("the community of property") was possible "in only the highest state of religious enthusiasm;" (p. 58) therefore "[t]he progress in communal property is welfare-increasing as long as it corresponds to a progress in solidarity." (p. 59)

14 Joseph Persky (1991) thinks that it is important to emphasize that Lange wanted socialism to be "judged not against a competitive capitalism, but with respect to a monopoly capitalism." (p. 233)

15 Conttrel and Cockshott (1993) believe that, the while Mises might have been right at the time of

writing his essay, his main proposition is wrong today. The case of the Soviet Union proves nothing

because it was simply an "attempt to operate a system of central planning 'before its time'." (p. 108) They "hope" that today, with a "careful choice of efficient algorithms," an "objectively recognizable unit of value," i.e., labor-time (p. 73), and "recent advances in computer technology," (p. 76) a rational socialist planning system is quite possible.

16 As quoted by William Keizer (1987, p. 118) He also argues that Mises in 1920 "by 'socialism'

understood a centrally planned economy," and "conceded that rational calculation is possible under

syndicalism, where the workers or the managers either own the means of production or else behave as if they own them." (p. 110) Mises "readily concedes the rationality of economic calculation in any system in which the enterprises, cooperatives, associations, or whatever have full property rights and are the owners of the means of production."(p. 114)

17 The essay "Planned Chaos," originally written in 1947 and published by The Foundation for Economic Education, was added to the Liberty Classics edition of Human Action as the Epilogue.

18 It was Lange who admitted that Mises ("the great advocatus diaboli") was right and proposed to erect a monument to him (Lange, 1938, pp. 57-58) The reintroduction of competition by socialists, despite all the babble ("an analysis [by Lange] showing its superiority in theory and its feasibility in practice" [Benjamin E. Lippincott, "Introduction," in *ibid.*, p. 371) was the first theoretical victory, not a defeat, for Austrians.

19 Yugoslavia's tinkering with market socialism is the best proof of Mises's farsightedness. The Yugoslav civil war was more the result of economic collapse than of ethnic hatred.

20 In the concluding essay, "Present State of the Debate," Hayek makes it clear that socialism is possible: "There is no reason to expect that production would stop, or that the authorities would find difficulty in using all the available resources somehow, or even that output would be permanently lower than it had been before planning started. What we should anticipate is that output, where the use of available resources was determined by some central authority, would be lower than if the price

mechanism of a market operated freely under otherwise similar circumstances." (ibid., p. 204) At the end, he again emphasizes that "while this makes it illegitimate to say that these proposals are impossible in any absolute sense, it remains not the less true that these very serious obstacles to the achievement of the desired end exist and there seems to be no way in which they can be overcome." (p. 238).

21 Lavoie's opinion also. Cf. Lavoie, p. 183.

22 Cf. Lavoie (1985): Like Mises and Robbins, he [Hayek] places primary emphasis on the distinction between the ends and the means of the socialist program and stresses that however the ultimate ends of the socialist society (in terms of a scale of consumer evaluations) are decided upon, the crucial problem is whether planning can constitute a workable means for the achievement of these ends." (p. 149, emphasis added)

23 Despite this some Austrians think Hayek was too soft on the issue. cf. Salerno, (1990, 1993, 1994) and Hoppe, (1994), among others. Holesofsky (1977), on the other hand, praises Hayek, after quoting some parts of "The Use of Knowledge in Society," with this conclusion: "A special place should be reserved for these passages in the reader's memory. Not only do they express eloquently the assumptions underlying models of market capitalism, from Adam Smith's invisible hand to von Mises and Milton Friedman. Their spirit has also been revived and gloriously rehabilitated in Eastern Europe, in the course of revisionist revulsion against centralized planning" (1977, p. 152).

24 The way I read Israel Kirzner (1988), he doesn't try to dehomogenize Mises and Hayek but only to prove that their shared endeavor resulted in their better understanding of the market process itself. Boettke (1997) agrees and states that "for all practical purposes the Mises/Hayek contribution becomes a unified (and unique) perspective on economic process." (p. 32) In a footnote, Boettke emphasizes that "on this issue Mises saw his position as presented in Socialism and Hayek's in these essays [from 1935] as making essentially the same critical point against socialist proposals." (p. 45)

25 cf. Keizer (1994): "In Hayek's 1935 survey of the debate he admitted that general-equilibrium models proved a rational socialist economy to be possible in principle, but that the computational difficulty of solving millions of equations simultaneously made it impossible in practice." (p. 208) Unfortunately, this is not the only misreading of Hayek in his article. On page 222, Keizer explains the differences between Mises and Hayek and states that "property rights play no role in Hayek's argumentation and are not mentioned in his contributions to the debate in the period between 1935 and 1945." But they played a vital role in Hayek's overall philosophy, and in this there was no difference between him and Mises. Even more important, in the "Present State of the Debate," Hayek [on page 219] talks about competition and states that the problems of competition "raise the question of the rationale of private property in its

most general and fundamental aspect. The question, then, is not whether all problems of production and distribution can be rationally decided by one central authority but whether decisions and responsibility can be successfully left to competing individuals who are not owners...[of] the means of production under their charge." [emphasis in original]) Later (p. 237), Hayek repeats that "[t]o assume that it is possible to create conditions of full competition without making those who are responsible for the decisions pay for their mistakes seems to be pure illusion." In "The Competitive 'Solution'" (1940), Hayek repeats this statement from 1935, making clear that "[t]he problem remains where it was five years ago..." (p. 202)

26 Hayek's statement (1935a, p. 36) that "Mises had occasionally used the somewhat loose statement that socialism was impossible," can be only interpreted that Mises must have used it in their conversation. But even then, Hayek hastens to add, it was understood that "he meant that socialism made rational calculation impossible."

27 Hayek (1978), "The tactics of his opponents were generally to represent him as an extremist whose views no one else shared." (p. xxii) And even the friends agreed with that. cf. George N. Halm (1968): "No doubt, Mises exaggerated. A centrally planned system can achieve a modicum of bureaucratic integration." (p. 179, repeated on pp. 255 and 269) But Mises never denied a short term solution, only a long term solution.

28 The text is part of his second proposition: "Socialism as originally conceived was (is) an economic impossibility" (Boettke, 1993, p. 4) Later in the book (p. 57), Boettke again repeats that "socialism is not only an inefficient form of economic organization, but literally impossible"

29 "The flip side of the development of the idea of perfect competition, and the strict conditions established for its attainment, was the development of the theory of market failure. Market failures were said to exist whenever capitalist reality did not meet the conditions of the frictionless textbook model of perfect competition." (ibid, p. 16)

30 "The Soviet economy never conformed to the ideal picture of a rationally planned communist economy that would abolish completely commodity production because that system is a hopeless and unachievable utopia" (ibid, p. 31)

31 "The Soviet system was best characterized as a market economy dominated by monopoly producers and subject to vast and arbitrary government interference." (ibid, p. 59) Or, "the Soviet economy was not a centrally planned economy radically different from any other economic system witnessed in history. It was over-regulated, abused and distorted, but it was, nevertheless, a market economy." (p. 69)

32 In a later work (Anderson & Boettke, 1995), the authors accuse the Soviet economy of being "a relatively minor variation on the mercantilist pattern"(p. 3) and the Soviet style central planning system of being

nothing more than "a mechanism which functioned to protect the value of mercantilist monopoly rights." (p. 7)

33 cf. Salerno (1990), "àMises demonstrates, once and forever, that socialist economy is "impossible" ("unmoeglich")--not just inefficient or less innovative or conducted without benefit of decentralized knowledge, but really and truly and literally impossible. "(p. 51, italics in original)

34 Loasby (1989, p. 166) thinks that "it is inherently impossible to use Austrian methods to prove that planning cannot work"

35 Holwitz (1996, p. 10) rightly argues that "Hayek simply took it for granted that Mises's original claim in the 1920 article was correct and that Mises had so clearly established the necessity of monetary calculation that Hayek no longer needed to make that point." According to Keizer (1994, p. 227), both of them said that without rational prices there could be no rational economic calculation and allocation.

36 Robert Heilbroner still doesn't understand the issue, despite repeating praises for Mises. At the end of the article, he "depicts socialism as a general description of a society in which we would like our grandchildren to live. For me such a society would embody the level of social welfare for which Sweden is famous, the mixture of public and private realms found in Austria, the respect for civil liberties characteristic of the Netherlands, the public culture enjoyed by France; the distribution of income that exists in Norway, the security of employment that prevails in Japan, and the gaiety of life that is palpable in Italy."(Heilbroner, 1990, p. 98)

37 Rutland (1994) disagrees, socialism did work: "Soviet citizens were clothed, housed, and fed, and even on the most skeptical reading of official data their living standards roughly doubled between the years 1955 and 1980àThe Soviet economy was horribly inefficient, and cruelly twisted to favor national military strength. But it was not an illusion à Soviet-style socialism was clearly not 'impossible' since it existed for seventy-four years." (p. 567) But that is exactly what Mises and Hayek tried to say.

35 When Mises (1947), in *Planned Chaos* ended his chapter on Soviet experience with, "What the Russian experience shows is a very low level of the standard of living of the masses and unlimited dictatorial despotism," (Mises, 1922, p. 538), he, probably, did not know that a Soviet defector, Victor Kravchenko, had just published a book, *I Chose Freedom* (New York: Charles Scribner and Sons, 1946), in which he confirmed Mises's statement with all the gory details. It is worth repeating one of the Kravchenko's concluding remarks: "The prevailing American notions about the wonders of Sovietism in practice were truly extraordinary. Great chunks of the Communist reality--like slave labor, police dictatorship, the massive periodic purges, the fantastically low standards of living, the great famine of 1932-33, the horrors of collectivization, the state-organized child labor--seemed to have completely escaped American attention. These

were things of which everyone inside Russia was deeply conscious. Some of us may explain them as necessary or unavoidable or even noble, but it would not occur to us to deny them. Yet when I ventured to mention such things (at times when candid conversation was possible). Americans looked at me incredulously and some even hastened to enter cocksure denials." (p. 468. in Transactions Publishers edition, 1989, italics in original) If I may quote another well-known dissident, the picture is equally gloomy. Milovan Djilas, the second man in Yugoslavia before writing *The New Class*--for which he was eventually imprisoned--describes the system in Yugoslavia as a system in which "thefts and misappropriations are inevitable. It is not just poverty that motivates people to steal the 'national property'; but the fact that the property does not seem to belong to anyone. All valuables are somehow rendered valueless, thus creating a favorable atmosphere for theft and waste à The Communist leaders handle the national property as their own but at the same time they waste it as it were somebody else's. Such is the nature of ownership and government of the system. The greatest waste is not even visible. The slow unproductive work of disinterested millions, together with the prevention of all work not considered 'socialist,' is the calculable, invisible and gigantic waste which no Communist regime has been able to avoid." (p. 120)

39 Cottrell and Cockshott (1993) admit that "[i]f market socialism is the best the Left can offer, we would have to agree that Mises won the debate." (p. 108)

40 cf. Lebed (1997), Melow (1997), Frank (1997), Frank and King (1997).

41 See Pongracic (1997), especially the Conclusion, pp. 598-600.

42 As Heilbroner (op .cit., p. 98) meditates, "the collapse of the planned economies has forced us to rethink the meaning of socialism. As a semireligious vision of a transformed humanity, it has been dealt devastating blows in the twentieth century. As a blueprint for a rationally planned society, it is in tatters. What, then, is left?"

43 The latest case is David Schweickart (1997) who believes that Lange's socialism was not market socialism because it did not "permit a competitive market for producer goods." (pp. 337-338) He and other market socialists today "do not want to simulate capital-goods market. They want real, competitive markets for both consumer goods and capital goods." (p. 338, italics in original) If, and when, that happens, Schweickart insists, "Mises's basic argument" will "not apply." (pp. 338-339) Mises and Hayek might have won some battles, according to Schweickart, but they have not won the war. Socialism is possible, "both theoretically and in practice. [A] market socialist economy, properly constructed, would reduce many of the gross inefficiencies and irrationalities associated with capitalism, and at the same time promote many of the ethical values that have long been part of the theory, if not the practice of socialism--most notably, equality and

democracy." (p. 339. italics in original)

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