

# Study Guide to *Human Action* by Robert P. Murphy

## Chapter XXV. The Imaginary Construction of a Socialist Society

### Chapter Summary

#### 1. The Historical Origin of the Socialist Idea

Before the social philosophers of the 18th century laid the foundations of praxeology, writers contrasted the interests of the state and nation against the selfish concerns of individuals. Ironically, it was the classical liberal writers who constructed the imaginary image of an all-powerful and benevolent king. Their purpose was to demonstrate the socially beneficial, spontaneous outcomes of a market economy—which would mirror the outcomes ordered by the good king—but nonetheless they paved the way for calls to install such an actual socialist government to ensure justice.

Historically, there were always calls for an equal redistribution of property, but the rise of modern industry made this impractical. Rather than literal redistribution, the call now came for "socialization" of the means of production. Rather than redistributing the seized property, the state would now handle all economic affairs. Once thinkers ascribed not merely selflessness, but also omniscience, to the state, it seemed barbaric to allow the quaint institution of private property to persist.

#### 2. The Socialist Doctrine

Karl Marx did not invent the socialist doctrine. His contributions were the doctrine of polylogism (i.e., the different logical structure of minds of different classes) and the alleged inevitability of socialism. Marx's writings were successful because most thinkers of his age believed in an evolutionary advancement in history, where successive stages are necessarily superior to previous ones. If socialism was inevitable, then it was apparently better than capitalism.

The socialist creed rests upon three dogmas: (1) *Society* is an omnipotent and omniscient being; (2) the coming of socialism is inevitable; and (3) history is a continuous progress from less to more perfect conditions, meaning socialism is desirable.

#### 3. The Praxeological Character of Socialism

For economics, the crucial feature of socialism is that all productive activities are directed by one will. All workers, all capital goods, and all natural resources are deployed with the sole objective of giving the ruler (or the group of people who collectively run the socialist government) the highest possible satisfaction, according to the ruler's own subjective value scale. The praxeological critique of socialism (to be elaborated in the following chapter) is not over the choice of ends, but whether it is conceivable that socialism can effectively allocate resources to achieve the most desirable outcome from even the dictator's point of view.

### Why It Matters

This short chapter provides the historical context for the following chapter, which will lay out Mises's argument for the impossibility of economic calculation under socialism. In the present chapter, Mises explains the true contribution of Marx to the socialist cause, and shows how the classical economists unwittingly aided the socialist theorists.

## Technical Notes

- (1) Mises describes the insights of the classical economists, including: "The objectives of entrepreneurship do not differ from those of the perfect king. For this benevolent king too aims at nothing else than such an employment of the means of production that the maximum of consumer satisfaction can be reached" (p. 686). Yet Mises then criticizes these writers for smuggling in personal value judgments. This is ironic, since Mises too stresses the doctrine of consumer sovereignty. What Mises probably has in mind is that the classical economists did not carefully distinguish positive economic claims (about the true directors in a market economy, etc.) from normative claims (such as the desirability of prosperity, falling infant mortality rates, etc.).
- (2) Mises's discussion of the tools at the dictator's disposal (p. 692) is important to clarify the strong nature of his critique (which comes in the following chapter). Mises is *not* merely saying that "in practice" socialism would fail to allocate resources economically. Rather, Mises will make the much stronger claim that, by its very nature, socialist economy is impossible. The problem is much deeper than simply one of dispersed knowledge and other practical obstacles.

## Study Questions

### 1. The Historical Origin of the Socialist Idea

- In what way did old liberals originate the confusion of the perfect state?
- Why does Mises say, "Every socialist is a disguised dictator"?

### 2. The Socialist Doctrine

- Why is the coming of socialism inevitable, according to Marx?
- What is the role of Hegel in the Marxist doctrines?
- What are the three dogmas of the socialist creed?

### 3. The Praxeological Character of Socialism

- What does Mises concede—for the sake of argument—to the socialist dictator, in terms of technical knowledge, obedience of his subjects, and so forth?

Comment: "Our problem, the crucial and only problem of socialism, is a purely economic problem, and as such refers merely to means and not to ultimate ends."