

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

Chapter XXXIII. Syndicalism and Corporativism

Chapter Summary

1. The Syndicalist Idea

Syndicalism can mean two different things. First, it can refer to revolutionary tactics used to achieve socialism. Rather than falling for the bourgeois catchwords of liberty, democracy, etc., labor unions should instead use violence to overthrow the capitalist institutions.

A second meaning of syndicalism refers to a method of economic organization. Rather than the socialist goal of government ownership over the means of production, syndicalism in this sense aims at giving workers ownership over their plants and equipment. It is epitomized in slogans such as, "The railroads to the railroadmen," and, "The mines to the miners."

2. The Fallacies of Syndicalism

The root of the syndicalist idea is the mistaken belief that entrepreneurs and capitalists are analogous to kings and aristocrats. The syndicalists believe that "industrial democracy" must give economic power to the workers, just as political democracy enfranchised the people. In reality, the market is a consumers' democracy, which the syndicalists wish to replace with a producers' democracy. This would be a foolish substitution, because the sole purpose of production is consumption.

If the entrepreneurs seem coldhearted to the syndicalists, this is only because the consumers themselves are merciless in how they spend their money. If consumers are not prepared to pay more for goods when the workers have large families to support, then the employers cannot afford to do so either.

The syndicalists rely on a static conception of the structure of production. They overlook the crucial role that entrepreneurs play in the allocation of capital among branches of production in determining which industries shall expand and which shall contract.

3. Syndicalist Elements in Popular Policies

The essence of syndicalist policies is to grant privileges to a minority of workers that result in a lower standard of living for the immense majority. For example, union restrictions may raise wages of a particular group of workers, but they lower wages for excluded workers and lead to higher prices for consumers. Other proposals call for "profit sharing" or even the outright abolition of "unearned income."

4. Guild Socialism and Corporativism

The ideas of guild socialism and corporativism grew out of the desire of the socialists in both Great Britain and Italy to distinguish themselves from the Germans and Marxists, respectively.

They drew on the writings of the eulogists of medieval institutions, who praised the guilds as a superior form of organization compared to the wage slavery of capitalism.

The fundamental idea of both guild socialism and corporativism is that each branch of business forms a monopolistic body, the guild or *corporazione*. The entity enjoys full autonomy to determine internal affairs, such as working hours, technological conditions, and the quality of its products. The guilds bargain with each other directly, and the state is only involved when such mutual agreements cannot be reached.

The essential flaw in this scheme is that entire branches of production cannot be "autonomous" under the division of labor. If the coal miners restrict their hours and raise their wages, this necessarily hurts everyone else in society. It was naïve to think that the vast majority would vest such power in the respective guilds. In practice, guild socialism will revert to outright socialism.

Why It Matters

In this short chapter, Mises deals with guild socialism and corporativism, two related attempts to enjoy the blessings of freedom while avoiding the alleged evils of the anarchy of production. After explaining the historical origins of the schemes, Mises shows that they fail to account for the interdependence of all branches of production under the division of labor. There must be some way to communicate the desires of consumers to the workers in each branch of production. If the voluntary mechanism of the market is rejected, the coercion of the state will be used.

Technical Notes

- (1) Mises refers to calls for "industrial democracy" (p. 809). The political climate of his times sheds light on Mises's emphasis on "consumer sovereignty," even though later his follower Murray Rothbard would reject the term.
- (2) Again and again, Mises points out that the enemies of the market economy rely on a static worldview (e.g., p. 810). They take the distribution of factories, supply chains, and technological methods as given. They fail to appreciate the essential role of entrepreneurship and economic calculation in determining where to invest new savings.

Study Questions

1. The Syndicalist Idea

- What are the two meanings of syndicalism?

2. The Fallacies of Syndicalism

- Why aren't entrepreneurs and capitalists irresponsible autocrats? Who should the syndicalists blame instead?

Comment: "They are like patients who grudge the doctor his success in curing them of a malady."

3. Syndicalist Elements in Popular Policies

- What is the essence of syndicalist policies?
- What are the fallacies of the "ability-to-pay" proposals?

Comment: "If one wants to abolish what is called 'unearned income,' one must adopt socialism."

4. Guild Socialism and Corporativism

- What is the fundamental idea of corporativism and guild socialism? Did Italy realize the corporativist utopia?

Comment: "There is in the scheme of guild socialism and corporativism nothing that would take into account the fact that the only purpose of production is consumption. Things are turned upside down. Production becomes an end in itself."