

# BOOKS

## Rethinking Socialism

### Economic Calculation in the Socialist Society.

By Trygve Hoff.

Indianapolis: Liberty Press. 1981.

405 pp. \$9.00.

### The Recovery of Freedom.

By Paul Johnson.

Oxford, England, and Totowa, N.J.:

Blackwell. 1980. 232 pp. \$7.95 paper.

Reviewed by Antony Flew

*Economic Calculation in the Socialist Society* by Trygve Hoff and *The Recovery of Freedom* by Paul Johnson were both written by one-time socialists later radically reconstructed. The rejoicing among proponents of the free market over every once-lost soul since saved must in these cases be the greater because the fruits of repentance are so excellent.

Trygve Hoff was a Norwegian economist with "an original sympathy for socialist ideals," a sympathy replaced by "an ever growing doubt as to the political, cultural, and economic consequences of socialism." Graduating from Oslo University in 1916, he received his Ph.D. from the Harvard Graduate School of Business Administration in 1920. There he became intrigued by the contention of Austrian economist Ludwig von Mises that under socialism rational economic calculation must be impossible. The present book was first published in 1938 in Norwegian; an English translation appeared only in 1948.

It is this translation that the Liberty Press has now reissued, with a preface by Karen Vaughn of George Mason University. The book reviews the whole controversy about the economic potentials of socialism up to 1938, providing a comprehensive, fair, and acute account of all the positions taken in a widely scattered and often rather inaccessible literature. Hoff's own judicious yet decisive conclusion was, not that a socialist economy is impossible, but that it is bound to be massively inefficient.

Writing at a time when the USSR was the only fully socialist economy, Hoff is abstemious in his references to socialism in actual practice. In the main these are confined to an appendix, "Comparison between Our Conclusions and Experiences in Soviet Russia." Its greatest

present interest lies precisely in the fact that it can refer only to the first and most enthusiastic 20 years of the first fully socialist country of the modern period. It is sad to notice now the unfounded optimism of Hoff's final quotation from L. E. Hubbard: "politically, the Soviet Government is visibly tending to become more democratic as the younger dictatorships become more despotic."

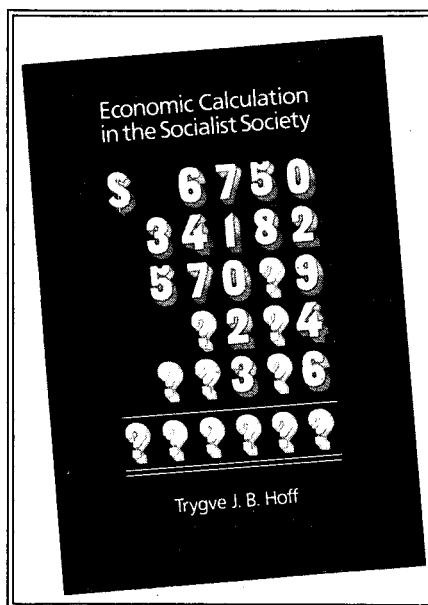
It is perhaps a pity that Vaughn does not better utilize more recent experience in the introduction. Hoff points out how many socialist and, especially, Marxist socialist economists are confident that they and their like, as the paternalistic planning elites, will be able to determine the true needs of the vulgar without reference to our actual and, they think, often misguided wants, as expressed in the prices we are prepared to pay. Hoff also concedes that, if such an elite "takes as its only aim the development of a war machine," then "a military central authority will, presumably, be better able

decided to go flat out to achieve and maintain a global military superiority—very obviously at the expense of the despised and neglected Soviet consumers, whose purses have in a command economy no power to direct production. Hoff's central, fundamental, and correct contention is that, if the aim is to satisfy our wants as consumers, then there must be prices determined by whatever we are prepared to pay; and the rise and fall of these prices must be allowed to determine what goods and services are produced and offered to us. He concludes that "each factor of production must be so employed as to give the greatest return. . . . This, and only this, is the criterion for rational economic activity. . . . it is here that there arise specific, and so far, unsolved difficulties for the socialist society."

The second book is a collection of the essays written by Paul Johnson on his recent four-year journey: between the editorial offices of the *New Statesman* (the weekly journal of the British socialist intelligentsia) and the campaign headquarters of Margaret Thatcher. (The Blessed Lady Margaret is seen—rightly—as the last, best hope of all of us fighting to defend and extend what remains of a free economy and a free society in the original modern homeland of those two inseparables.)

There are two reasons why such British essays should have a more than merely parochial interest. First, Britain has gone so much farther down so many wrong roads that, even if we British fail to save ourselves by our exertions, we may still do something to save others by and from our bad examples. Second, Britain occupies a key position within NATO and the whole Western (and US) defense system, a system that scarcely could survive the reelection of a Labour Party that is now at best determined to abandon all effective defense and at worst enthusiastic actually to enter the Socialist bloc.

*The Recovery of Freedom* has little to say about the foreign relations of British socialism, even though these offer significant indications of internal intentions. It is curious that Johnson, in this respect like too many of the foreign correspondents now in London, finds no occasion to note that the Labour Party has taken to receiving at its conferences representatives from various ruling Communist parties. Equally regularly, it now sends its own delegations to pay visits to them as a brother socialist party.



than any other to determine the relative value of existing resources in the light of this particular aim."

I wish, for instance, that Vaughn had related these two observations to two facts of more recent experience. First, as late as the '50s and even the '60s, socialist false prophets in Western Europe were telling us that the real Soviet threat was going to lie in the popular appeal of their demonstration, in the fairly near future, that a planned and socialist economy is bound to provide the people with more and better goods and services than any freer rival. Second, since the '70s, "a military central authority" in the USSR, the Politburo, has

Within the four-year period covered by these essays, in the very year that the AFL-CIO honorably strove to honor Alexander Solzhenitsyn, the General Council of the British Trades Union Congress (TUC), with only a handful of dissentients, preferred to wine and dine one of the former jailors—Alexander Shelepin, then the state-appointed boss of the Soviet *arbeitsfront* and a sometime director of the KGB. Again, and it must have been just about when Johnson was writing his first essay, the national executive of the Labour Party sent a three-person mission, including one of Harold Wilson's ministers, to Portugal. Its unanimous report backed the Communist party of the hardline Cunhal, then bidding for total and irremovable Stalinist power, rather than the more genuinely democratic socialists of Mario Soares. Such things should be remembered when we ask in what sense even the present intentions of the British TUC and its creature, the Labour Party, are still democratic.

What Johnson does give us is, both in style and in content, formidable. First comes the initial trumpet blast of the new Johnson. Under the title "A Brotherhood of National Misery" and with all batteries firing, he sails into the stupid, bigoted, boorish, bullying, bloody-minded, and passionately antiproductive British labor unions: "Smug and self-assured, oblivious of any criticism, they have encouraged British industrial workers in habits and attitudes, in rules and procedures, in illusions and fantasies, which have turned the British working class into the coolies of the Western world, and Britain into a stinking, bankrupt industrial slum."

From this rollicking start, Johnson proceeds to "The Rise of the Know-Nothing Left," deploring the "spread of Yah-hoo politics in the Labour Party and the Left's intellectual bankruptcy." After this, in "Towards the Parasite State" and "Labour and the New Leviathan," he begins both to recognize the sinister signs of a reversal of the long march from status to contract and to see collectivism as the great enemy. Part One concludes in September 1977: "Farewell to the Labour Party."

In Part Two, Johnson starts to show himself both a widely read historian and a very liberal yet still genuine Roman Catholic. In Part Three, "The Libertarian Alternative," he puts the question "Has capitalism a future?" into an especially illuminating perspective: it is

capitalism alone that has enabled some people to escape the poverty that was once the universal human condition. Johnson then proceeds, with the same fresh and exhilarating breadth of vision, to give a categorically and unhesitatingly positive answer to his second question, "Is there a moral basis for capitalism?" Finally, in Part Four, he deals firmly and faithfully with the contemporary growth of political terrorism. To sum up in a last word: Welcome aboard, Paul Johnson; we need every convert who will come to us, and especially we need more of your temper and caliber.

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## Can Freedom Flourish?

### Bound to Be Free.

By Richard McKenzie.

Stanford, Calif.: Hoover Institution Press. 1982. 201 pp. \$15.95.

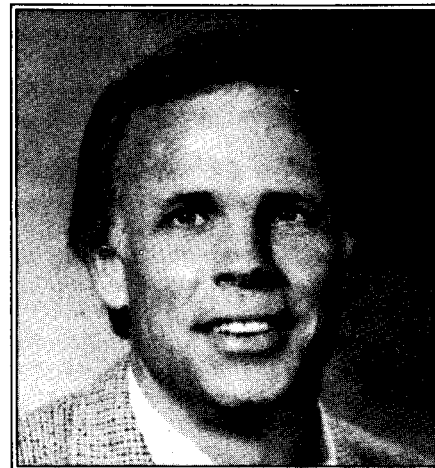
Reviewed by William M. H. Hammett

In exploring the economic dilemmas of our democratic political order, Richard McKenzie mentions a number of political devices that he seems to believe will restrict or control the ability of factious interest groups to enrich themselves at our expense through government power. Economic freedom might be written into the First Amendment and thereby acquire equal constitutional status with freedom of speech. Government taxes or expenditures (including those indirectly imposed by regulation) might be tied to a specific percentage of national income; and perhaps a balanced budget might also be mandated. We might limit the growth of the money supply or even introduce competition in monies. Deregulation of many or even all industries could be accomplished in one bold stroke. Finally, the majority necessary to pass federal legislation might be raised to 70 percent.

I say "seems to believe," because Professor McKenzie devotes barely 10 pages of an already slim volume to presenting very far-reaching and controversial constitutional and legislative proposals. There is no discussion in depth of any one of them. Perhaps this rather cursory treatment of the "constitutional principles that must undergird a free economy" stems from McKenzie's belief that "in the final analysis the

strength of a constitution will lie not so much in the words that are written as in the value that people place on freedom as a basic value." After all, no matter what the words, the constitution "will continually be subject to reinterpretation and, on occasion, misinterpretation."

Readers of McKenzie's widely used



Richard B. McKenzie

economics textbook or his excellent, powerful analysis of current "reindustrialization" proposals know of his understanding and commitment to the free market. And if education in freedom, rather than espousal of particular reform proposals, is his chief purpose here, the reader will find commendable, persuasive discussions of the intimate connection between free markets and free social life in general.

Nevertheless, the framework of *Bound to Be Free* is troublesome. The "case for the free market," McKenzie writes, "is not a case for 'no government intervention,' since 'freedoms and rights often collide and trade-offs are required'; it is 'an argument for a predisposition, or social proclivity toward freedom and against control; for extraordinary caution in shaping government policy; and for the use of principles in the conduct of public policy.'" The foremost principle he would instill among citizens and policymakers alike is that "the power of government to do good through force has limits."

The concept of conflicting rights and freedoms is a most unfortunate approach indeed to fundamental political principles. What one usually confronts are all sorts of conflicting *claims*; the principles of individual rights are, to my way of thinking, the devices one uses to determine which claims ought to be satisfied. Moreover, the concept that the power of government to do good is limited, while