

The Market Economy: A Reader edited by James L. Doti and Dwight R. Lee is available from The Foundation for Economic Education in paperback at \$17.95 plus \$2.00 postage and handling. Visa and MasterCard orders are accepted. Please give your card number and its expiration date when ordering. Send or phone your order to The Foundation for Economic Education, 30 South Broadway, Irvington-on-Hudson, NY 10533.

II price-fixing agency, the U.S. Office of Price Administration. The Friedman-Stigler article, originally published by The Foundation for Economic Education, is still timely and relevant as the idea and application of rent controls continue to repress the supply of homes and thereby exacerbate the urban housing problem today from New York City to various cities in California.

Or here is an excerpt from Charles Murray's *Losing Ground* in which Murray observes the difficulties of fighting poverty through "helping the poor." One difficulty is the bureaucratic problem of defining eligibility which almost always includes some who are not truly needy and excludes others who are. Another difficulty seen by Murray is the problem of inadvertently subsidizing poverty—i.e., extending it indefinitely by inducing some welfare recipients to give up the search for independent livelihoods, to become wards of the state as long as they can.

Economists Doti and Lee reach out to non-economists to bolster their case for a market society. They include some of Ayn Rand's thinking in the form of the Hank Rearden statement on the moral meaning of capitalism as it appears in her novel, *Atlas Shrugged*. And they present Henry David Thoreau's case for civil disobedience in which Thoreau defends withholding his taxes so as not to help finance slavery or the Mexican War, an action which led to Thoreau's spending a night in the Concord jail.

In all, the 44 selections here add up to invaluable insights to the classical liberal philosophy of limited government and free markets. □

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CAPITALISM

by Arthur Seldon

Basil Blackwell, 3 Cambridge Center, Cambridge, MA 02142 • 1990 • 419 pages • \$29.95 cloth

Reviewed by Carl O. Helstrom, III

This book outlines the great ideological struggle between individualism and collectivism. Written with originality and vigor, it presents the latest arguments for capitalism and against socialism. The author, a leading libertarian thinker, clearly demonstrates capitalism's superiority over socialism, not only in theory, but in practice as well.

Seldon's education, his experience in private industry, and his pioneering work with the Institute of Economic Affairs (IEA) in Great Britain lend special forcefulness to his exposition. Born in 1916, a year before the Russian Revolution, Seldon grew up around London where the teachings of Fabian socialism inculcated British society.

His secondary school history instructor, an old-style liberal, first emphasized the benefits of capitalism to the young Seldon, whose personal belief in socialism began to wane even as socialistic ideas continued their ascendancy in Great Britain. He entered the London School of Economics in 1934, with a budding interest in classical liberalism and capitalism.

Seldon's growing suspicions about socialism were confirmed during World War II. "The interlude of war," he writes, "provided a practical lesson in socialism as it would be in real life." The wartime command system was continued after the war by socialists enamored with its accomplishments. As Seldon explains, "The intellectuals taught it; the public was led to think it was desirable; therefore the politicians acquiesced in it for electoral expediency even more than from philosophic conviction; and the bureaucracy reveled in its extended powers."

After World War II, Seldon became an economic adviser to British retail and brewing companies. In 1956, he became acquainted with the newly formed IEA, founded by agricultural entrepreneur Antony Fisher. Moved by Friedrich Hayek's *Road to Serfdom*, Fisher started the IEA to promote classical liberal ideas. He hired Arthur Seldon and Ralph Harris to run it, beginning an "intriguing partnership of complementing contrasts . . . [that] led for over 30 years to the most

rewarding work that could have been wished for a life's career."

The history of the IEA is an important and interesting story in itself. A small and isolated voice at first, the IEA utilized a broad-based, educational approach, and eventually flourished thanks to Harris's knack for public relations and Seldon's research and publishing leadership. It has been instrumental in rekindling academic and popular interest in the freedom philosophy and market economics.

"Over the century," writes Seldon, "socialist thinking has prevailed over liberal teaching on the consequences, in all human behaviour, of state coercion, concentration of power, monopoly and producer myopia," mainly because people could see the imperfections of capitalism in the world around them. The socialists promised a perfect world, free from selfishness, struggle, and want, through centrally directed programs.

Socialists, however, built their case on the theory that the breakdown of capitalism and the success of socialism are inevitable. Over time every socialist experiment failed, proving that socialism as a system is not only illogical, but also impractical. According to Seldon, "... the vision of socialism not only remains a vision after a century or more of proselytizing; it is never likely to become reality until it resolves the unending circular reasoning in which it is entrapped: that human nature will not become selfless until scarcity is replaced by superabundance, but superabundance will not replace scarcity until human nature becomes selfless. ..."

The crucial question has become: Which system, based on real historical evidence, can make the best guarantees for the most people? Seldon's answer, of course, is capitalism. He presents a clear, revitalized vision of capitalism by synthesizing new ideas, especially the innovations of Friedrich Hayek and the public choice theorists in the United States, with older classical liberal principles. He also systematically analyzes socialism, emphasizing particularly the empirical and historical proof that socialism has failed.

Despite his predilection for the capitalist system, Seldon tests capitalism as rigorously as socialism. Both systems claim to solve the same inherent human problems—ignorance, scarcity, unfairness, and want. So capitalism must prove itself with more than economic arguments. He finds the

modern theory of capitalism to be imperfect, but concludes that capitalism is better than socialism because it offers relatively more to the world—more goods and services, more freedom, more security, and more opportunity.

Seldon's arguments are comprehensive and significant. He lays the groundwork for further intellectual advancement, and inspires classical liberals to continue the fight for a truly free society. □

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THE POLITICAL ECONOMY OF SOVIET SOCIALISM: THE FORMATIVE YEARS, 1918-1928

by Peter J. Boettke

Kluwer Academic Publishers, 101 Philip Drive, Assinippi Park, Norwell, MA 02061 • 1990 • 246 pages • \$49.95 cloth

Reviewed by Aaron Wildavsky

It has generally been thought that the Communist command economy that Joseph Stalin introduced into the Soviet Union in the early 1930s, with its nationalized industries, multi-year plans, and administered prices, was the epitome of socialism. Not so. The only effort to implement socialism-cum-communism (as it was understood by Karl Marx and the foremost socialist thinkers of the last quarter of the 19th century) was the earlier abolition of monetary exchange for commodities in favor of production for use, i.e., bypassing markets and money in favor of direct exchange of goods. For Marx believed that it was the process of exchange through money and markets that polluted human relationships by alienating workers from the products they produced.

Following the pioneering ideas of Michael Polanyi, Paul Craig Roberts, and Boris Brutzkus, Peter Boettke has written what must now be the major introduction to the ideas animating Communist economies. His first proposition is that Marx and his followers did indeed wish to substitute direct for monetary exchange. His second is that Lenin and his followers, taking Marx seriously, did indeed attempt to abolish resource allocation via market prices in favor of central direction by intellectual calculation via direct exchanges of commodities. His third proposition, the obverse of the second, is that the deliberate introduction of a Communist economic system wasn't forced on