Contrary to Marxist ideology, the proletariat in socialist countries live in even greater subordination to their new rulers—the intellectuals—than they did to the old monarchs.

Communists for capitalism

DON LAVOIE


IN A CHALLENGING ARTICLE late last year in The Nation, David Horowitz incisively described the current crisis on the intellectual Left, the crisis which has resulted from the inability or unwillingness of the Left to learn from or even to acknowledge the catastrophic worldwide failure of socialist regimes. For too long the Left has applied a double standard to the Soviet Union, China, Cuba, and other socialist nations whose human rights records, after all, bear little relation to the traditional values of the Left. Horowitz singled out the works of the self-proclaimed anarchist Noam Chomsky as a typical example of the embarrassing apologetics for state-socialism so often produced by leftists. In his otherwise excellent book The Washington Connection and Third World Fascism, for example, Chomsky found it necessary not only to present evidence of U.S.-supported repression but also to deny the evidence of Viet Cong atrocities and Cambodian genocide. The Left, including Chomsky, has often and rightly denounced the hypocrisy of conservatives who seem to believe that all evil flows from the Kremlin. It seriously undermines its own case when, as in the Chomsky book and in the recent uproar over Joan Baez's critical letter to the government of Vietnam, the Left seems to believe, with exactly identical hypocrisy, that all evil flows from Washington. As Horowitz pointed out, the Left is defined by the nature of its "utopia"—state ownership of the means of production—and because of the human rights atrocities of socialist governments, "today, the Left's utopia itself is in question. That is the real..."
meaning of the crisis of Marxism.”

The Left’s utopia has not always been central planning, however. The origins of the Left, it should be recalled, were in seventeenth, eighteenth, and nineteenth century critiques of feudal and mercantile privilege, slavery, taxation, war, colonialism, and grants of monopoly. In short, the Left originated in a libertarian condemnation of the class subordination of some people by others that existed in virtually all “pre-capitalist” societies. The radical alternative these early leftists proposed was complete equality under the law and a free, competitive, market economy. It was a basic tenet of their view of things that any special powers vested in any institution for whatever noble purpose would invariably degenerate into the total abolition of all market relations and their replacement with “scientific” central planning (e.g. Marxism) to piecemeal state interference with market relations. But it always meant acceptance of the possibility of a virtuous government, a government that somehow would stand above the old temptations of power and corruption and simply act as an obedient tool of “society.”

And with this change in the Left’s vision of utopia came a newfound disinclination to look very closely at the issue of workability. In the West, the Left became content to throw rocks at Western “capitalism” while either ignoring or excusing socialist regimes. In the East, Marxist officials prevented any but the insanely courageous from criticizing the actual performance of the “workers’ state.”

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ugly, self-serving class society the Left had been born to oppose.

Unfortunately, seduced by the writings of nineteenth century socialists, the Left entirely reversed its attitude toward the free market economy. Freedom from the exploitation of the state, it came to believe, was no longer enough, for there was also the subtle “exploitation” of the market. Equality under the law, it came to believe, was no longer sufficient, for we had also to attain equality of wealth and opportunity. And for more than a hundred years, the mechanism which the Left proposed to accomplish these miracles was a social system of the future called “socialism.” Depending on the leftist one talked with, this meant anything from

Recently, belatedly, the Left has begun the critical self-examination it has for so long managed to avoid, and many of central planning’s former “lovers” are calling for a quickie divorce. In the West, the best representatives of this trend have been the so-called New Philosophers in France, who are bitterly rejecting central planning as a “sham” and a primary source (rather than a radical bulwark against) the chief barbarisms of our time. Bernard Henri Levy is calling for a return to the classical liberal values of the old libertarian Left when he declares in Barbarian With a Human Face that “there is no power which does not strive for absolute power” and that “never again will we be counselors to Princes, never again will we hold or strive for power.”

Probably the most significant self-criticism on the Left, however, has come from Eastern Europe, where the failures of socialist policy are closest at hand. Horowitz quoted the Polish philosopher Leszek Kolakowski—and showed in the process how advanced elements of the Eastern European Left are becoming:

The experiences of the “new alternative society” have shown very convincingly that the only universal medicine these people have for social evils—state ownership of the means of production—is not only perfectly compatible with all disasters of the capitalist world, with exploitation, imperialism, pollution, misery, economic waste, national hatred and national oppression, but that it adds to them a series of disasters of its own: inefficiency, lack of economic incentives and, above all, the unrestricted role of the omnipotent bureaucracy, a concentration of power never known before in human history.

Konrad and Szelenyi’s brilliant book The Intellectuals on the Road to Class Power advances this growing Eastern European criticism of central planning, and also offers a thorough sociopolitical analysis of the evolution of power relations in Eastern Europe, particularly of the rather active role played in this process by the intelligentsia. It will probably do more to push the Left in a libertarian direction than anything else written in the past decade.

According to official Marxist-Leninist doctrine, the only two fundamental classes in society are the working class and the capitalists. All other “strata” merely align with one or the other of these and derive advancement of their own interests from the alliance. Socialist intellectuals, according to this official view, serve as the “vanguard” of the working class and simply “represent” its interests. It is unthinkable, within this doctrine, to consider the intellectuals themselves as comprising a class or as possessing any narrow or self-serving interests of their own.

Konrad and Szelenyi, two Hungarian sociologists who conducted extensive empirical studies in Eastern Europe over a period of eight years during the late ’60s and early ’70s and were subsequently imprisoned for publishing their findings, thoroughly dispose of this naive view of things. It has become commonplace by now to point out that “the workers” are not and have never been in control of socialist societies, and that a “new class” of rulers has instead simply taken the place in the state apparatus of the Hapsburg monarchs and Russian Tsars, and has, if anything, magnified the subordination of the workers and peasants. Konrad and Szelenyi go beyond this observation to analyse the actual function of intellectuals and ideology in this new class.

The fundamental class structure of any society, they argue, is determined by that society’s “principle of legitimation” of power and authority: under capitalism the principle of legitimation is “possession of capital”; under monarchies it was nobility of birth; in an ideal socialist system it would be “possession of labor power,” as was presumably Marx’s intention. But, significantly, Konrad and Szelenyi reject central planning as the means of achieving their ideal system. In practice, they argue, central planning creates a society in which the possession of the requisite Marxist intellectual credentials is the principle of legitimation and intellectuals therefore assume class power. Central planning thus serves, not the workers (as the official ideology never tires of asserting), but the particular interests of the intellectuals who control it.

Of course, as Konrad and
Szelenyi point out, it has been the “common aspiration of intellectuals of every age to represent their particular interests in each context as the general interests of mankind.” Long prominent among the particular interests of intellectuals, for example, has been the desire to reserve for themselves an exclusive monopoly of “knowledge.” In ancient societies a priestly caste reserved to itself the magical power to interpret dreams; in modern societies professional experts maintain a special jargon, exclusive schools, etc. In each case the intellectuals have sought to monopolize their “knowledge” in order to preserve a privileged social position—though, of course, they claim to be motivated by such entirely altruistic considerations as the need to “protect the public” by maintaining high professional standards.” Once they have established their monopoly, they can claim with some plausibility that they are “experts” and better able to deal with complex problems than the average man, who is, after all, relatively uninformed (if only because he has been systematically denied access to information) on such matters. And it is usually not long before they are claiming even more: that the solutions to social problems should be left up to them, and that they should also have the power to decide how society will be organized. After all, they know more about these things than anybody else does, don’t they? Little wonder that the intellectual class abandoned the ideal of the free market in the last years of the nineteenth century. The market is self-regulated and resists all attempts to control it. The market economy is a spontaneous order, a result of the separate voluntary choices of its millions of participants; it leaves no room for any engineering, any “rational redistribution,” as Konrad and Szelenyi call it, by visionary intellectuals. (Many socialists will be uncomfortable, and most libertarians delighted, with the authors’ designation of Ivan the Terrible as the “father of early rational redistribution.”) Unwilling to leave society to the anarchic whims of competing interests, intellectuals have fastened upon a social system that places an elite of experts—themselves—indisputably at the helm.

Rational redistribution has not replaced the “class antagonisms” of market competition with an idealized classless communism, however. Instead, it has reduced people to a crude struggle for position and status in the redistribution system. The various factions of the redistribution technocracy achieve their budgetary allocations “not on account of their economic efficiency but because of their ... political influence. It does the unimaginative researcher no harm if a certain scholarly topic can be investigated only in his institute. An incompetent director will not grieve if a state grant saves his theater from closing, while a competing university theater group is banned. Nor will the humorless humorist crack jokes about monopolies if he is the only one permitted to tell (carefully censored) political jokes on TV.”

So it is that “through the distribution of monopolies and subsidies ... the ruling elite insinuates a whole fifth column of dullards into the technocracy and into the intellectual class as a whole,” and makes victims of those “more able and more competitive managers who do not need to hustle for subsidies.” So it is that rational redistribution, which was supposed to result in rule by the workers, has instead resulted in “a dichotomous class structure in which the classical antagonism of capitalist and proletarian is replaced by a new one between an intellectual class being formed around the position of the redistributors, and a working class deprived of any right to participate in redistribution.”

It is also in the class interests of the redistributors to maximize the size of the surplus product made available for redistributive decision— that is, the government’s budget. It is in the redistributors’ interest that workers continue to be forced to sell their labor only to the monopoly redistribution system. It is in their interest that more resources go to “unprofitable investments, as in heavy industry (particularly the arms industry)” than to production of consumer goods, because under state ownership of the means of production, “expansion of the consumer market increases the personal income of the population ... while enlarging the investment-goods market first and foremost increases the budget’s share of national income.”

Konrad and Szelenyi conclude, not surprisingly, that “the ethos of rational redistribution and of its planning logic and social and economic policies ... are diametrically opposed to the interests of the workers,” and that “the growth of a market sector at the expense of the administered sector would reduce the flow of budgetary subsidies to the intelligentsia and middle strata, put an end to hidden income supplements to the upper strata ... and thus, far from increasing, would actually reduce the social inequality between workers and the higher strata.” They even explicitly propose a “contractual” and nonarbitrary “legal framework” within which free “transactive” relations can take place.

Unfortunately, if their proximity to the failures of socialism can be said to have lent a rare accuracy to Konrad and Szelenyi’s critique of the way things are done in Eastern Europe, their distance from the failures of Western state-capitalism has lent an equal naïveté to their conception of the way things are done here. “Capitalist

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Oh, come now. The New Deal, just like the Eastern European redistribution programs, created monopolies. It didn’t come about because capitalists “relinquished power in a compromise,” but because they actively sought an increase of state regulatory and redistributive power in order to use it to shield themselves from the rigors of competition with other capitalists. Konrad and Szelenyi admit that state-capitalist redistributors have acquired “something like class power” as a result of holding the positions they hold in the redistribution system. And in
fact, the court intellectuals of the West hover about “capitalist” redistributionary agencies, like HEW, the Pentagon, and the Fed, exactly as socialist intellectuals swarm the halls of Gosplan, and for the same reason.

Yet, to its credit, despite its uncritical admiration for state-capitalism, despite its Marxian terminology and its working-class rhetoric, this book recommends many policies which would lead not to the full disposition of the “surplus product” by the workers, but to free market capitalism.

For example, Konrad and Szelenyi suggest that socialism’s enforced sale of labor to the monopoly redistributors should “give way to a genuine labor-market in which the price of labor would become the subject of transactive bargaining between legally equal, autonomous contracting parties.” They also attack the labor laws that tie workers to their jobs. But what would such reforms mean in practice? When workers are left free to move from job to job, they tend to do so, specializing in wage income. They earn these wages from those who do not choose to be wage earners, that is, those who assume ownership of capital, those entrepreneurs who direct production and take responsibility for the survival of the enterprise. A free laborer who can change jobs at any time can not simultaneously be an owner of the jobs he enters and leaves. His interests as a wage earner—the desire for stability, a higher income, longer vacations, etc.—may directly conflict with his interests as an owner of a profit-seeking venture. The owner of capital is guided by the profit and loss system toward the most efficient use of his productive resources. This may mean laying off certain workers because the demand for other competing products is rising.

Thus, unless we could expect worker-owners to fire themselves in response to changing market conditions, we could expect that this form of firm organization might not survive very long in free competition with firms which separated these functions. The labor laws that tie workers to their jobs in Yugoslavia were enacted in order to keep workers from voluntarily removing the last semblance of “worker control” by specializing in wage income. The liberty Konrad and Szelenyi seek would in practice result in the familiar division of functions among wage earners, stockholders, and entrepreneurs that is associated with private ownership of the means of production. But are they and others disillusioned with socialism willing to go that far if to do so involves the re-adoption of the original leftist vision: radical capitalism as a revolutionary force in the world?

Perhaps, after all, their failure to forthrightly advocate such a radical, libertarian capitalism is a blessing in disguise. We want leftists to read this book, not reject it out of hand as the work of apostates. By reading Konrad and Szelenyi, leftists might come to recognize as self-serving propaganda the ancient claim of both big business and government that they are contending interests—the “capitalists”
Seminal self-help

JEFF RIGGENBACH


TO MANAGE, SAYS WEBSTER, is "to contrive to get along"—in a word, to cope. To manage is also, of course, to direct or conduct the business of an organization, whether profit-making enterprise, non-profit institution, or government agency. It is, of course, this latter sense of the verb "to manage" which lies behind the phenomenal growth over the past several decades of the academic discipline called Management; and it is Management, the branch of organized scholarship, rather than managing, the business of dealing with one's problems on a day-to-day basis, which will come immediately to the minds of most readers when they see that Peter F. Drucker has published a new book. For twenty years Professor of Management at the Graduate Business School of New York University (the institution which also employed Ludwig von Mises throughout the 1950s and '60s), author of sixteen books, including such classics as The Practice of Management, Managing for Results, and Management: Tasks, Responsibilities, Practices, Drucker would seem qualified better than anyone else either living or dead to be considered (as his publisher calls him) "the founding father of the discipline of management."

He is much more than that, however. He is a Ph.D. in international law who has taught economics, statistics, politics, history, and philosophy as well as management, and who has worked for more than four decades in the newspaper business. Currently he writes editorials for the Wall Street Journal and serves as Clarke Professor of Social Science at the Claremont Graduate School in Claremont, California. As the title of his latest book clearly indicates, he is interested in managing as well as in management. If, as A. Richards once said, a book is a machine to think with, then this book is a machine to cope with.

Managing in Turbulent Times, Drucker declares in the last paragraph of his Introduction, "is concerned with action rather than with understanding, with decisions rather than with analysis." Therefore, "it aims at being practical, a work for the decisionmaker," what we might call a self-help book. And the gist of its advice may be summed up in a single easily remembered rule of thumb: In making your decisions, whatever they may be, do not rely on the benevolence or truthfulness of either governments or economists or journalists—they're all likely either to rob you or to lead you so far astray in your understanding of the turbulent times we live in that you'll end up unwittingly robbing yourself.

This is precisely what you are already doing. Drucker argues, if you are managing any enterprise of any kind and you fail to adjust all the relevant financial facts about that business—its "sales, prices, inventory, receivables, fixed assets and their depreciation, and earnings"—for inflation. "Inflation," he reminds us, "is the systematic destruction of wealth by government." By manipulating money and credit "to attain short-term economic or even shorter-term political advantages," politicians and bureaucrats have made inflation a permanent part of our economic lives. What's worse, they have also promoted widespread misunderstanding of inflation's true causes and effects—for example, by helping to perpetuate the incredible idea that inflation is caused by businessmen and labor leaders who raise their prices (which, as one financial analyst has remarked, is rather like the idea that rain is caused by wet streets).

Of course, this should hardly be surprising. As Drucker points out, "governments, with rare exceptions—Brazil is the most important one—resist the truth about inflation. Governments, especially under the twentieth-century system of progressive income taxes, are the main beneficiaries of inflation and have no incentive at all to reveal the truth." (emphasis added)

And inflation is far from the only subject on which governments may be relied upon to produce misleading, self-serving, and generally unreliable information. Another is the effects of our foreign trade upon our domestic industry. "A government statistician," Drucker writes, will report the export of hides from America as "exports" and the import of shoes as "imports"; his figures will nowhere relate the two. The American cattle grower does not even know that his livelihood depends on the sale of foreign-made shoes in the American market, for hides represent the margin between breaking even and making a profit for the livestock grower in Nebraska. Nor, conversely, does the Haitian manufacturer of the soles for these American shoes realize that he depends on hides grown in the United States. And when shoe workers' unions in the United States or shoe manufacturers in North Carolina agitate for a ban on the importation of "cheap foreign imports," no cattle grower in the Great Plains realizes that they are actually agitating to ban the export of American hides on which his livelihood depends. When the American tanning industry—as it does—asks for a ban on sending hides abroad, American shoe retailers (let alone American consumers) do not realize that this would mean having no shoes to sell in American shops. They do not know