

Book reviews

PETER J BOETTKE

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N. Scott Arnold, *The philosophy and economics of market socialism: A critical study*. New York: Oxford University Press, 1994. xvi + 301 pages. \$42.00 (cloth).

With the collapse of real existing socialism in 1989 the model of a centrally planned economy left the intellectual landscape. In actual practice, the model of central planning had long been discarded in practice by the socialist countries as it proved unworkable early on in the experience. Throughout East, Central Europe and the former Soviet Union a centrally administered economy emerged which severely constrained market allocations while relying on the "market" to correct for Plan failures both in the consumer and producer sector. A quasi-mercantilist economy took hold of economic life – a 20th century version of the Ancient Regime. Close observers of the scene in this region, whether on the Left or the Right, recognized that the discrepancy between the textbook depictions of a centrally planned economy as an alternative to the market economy of the West was as far from capturing the reality of Soviet-type economies as the promise of the socialist regime was from the reality of what was delivered to the masses of its people.

Intellectuals on the Left sought a workable version of socialism. Abolition of the market and the implementation of central planning was unworkable, but a more modest enterprise of market socialism could transcend the evils of both laissez faire capitalism and hard-line communism. Or at least that was the hope of such scholars as Alec Nove when he sought out to offer a model of feasible socialism. Market incentives could be introduced to ensure economic efficiency in production, yet social control of production could eliminate the waste and irrationality of capitalist competition and yield a more equitable outcome. In the most coherent models of market socialism, the social system of production is to be based on some form of workers' self-management and cooperatives. In this manner, it was proposed that social ownership of the means of production could be maintained while introducing aspects of market efficiency into the production process.

N. Scott Arnold's book does not address the history of real existing socialism and the disappointment of these regimes to deliver on their revolutionary promise. This is a work in political, philosophical and economic appraisal of the model of market socialism as offered by the leading theoretical propo-

nents of that system. The economic framework employed to critically assess the model of market socialism is one of the new institutional economics, with a special emphasis on the work on the theory of the firm and contracting (as represented in the work of Coase, Alchian, Demsetz, Williamson and Milgrom and Roberts), but also including an examination of the political process and bureaucracy (as represented in the work of Terry Moe). This makes perfect sense because the focus of the study is on the market socialist claim that workers' control systems can eliminate the *exploitation* endemic to capitalist production. What Arnold demonstrates is that it is market socialist models that possess systematic exploitation, not the classic capitalist firm. The well-known concept of opportunism in the new institutionalist literature is employed here to show that it is cooperatives that offer numerable opportunities for opportunism, while the classic capitalist firm has found ways to police this problem.

The significance of this is quite broad once it is put in the context of the long debate over capitalism versus socialism. The socialist critique of capitalism was founded on two pillars: alienation and exploitation. The charge of alienation demanded transcendence, the charge of exploitation demanded justice. In Marx's project justice would only be served through transcendence (Arnold's earlier book, *Marx's Radical Critique of Capitalist Society* did an excellent job of documenting and demonstrating this claim). But, if the transcendent project is to be rejected as unworkable, then all that remains of the radical critique of capitalism is the charge of exploitation. Now if that charge can be dismissed as poorly grounded, then the radical critique of capitalism as proposed by socialist writers from Marx to John Roemer fades. Of course, alternative critiques of capitalism could be offered but not these and most importantly – as Arnold argues – not any that comes from a model that relies on social ownership of the means of control. In other words, the capitalist versus socialist debate comes to a close with socialism in defeat.

Arnold's book is divided into 8 chapters: Chapters 1–2 put the issues in historical and intellectual context, Chapters 3–5 examine the concept of exploitation and the economics of organization; Chapters 6–7 employ the arguments on the economics of organization to examine exploitation within the context of market socialism; and Chapter 8 looks at alternative models of market socialism. The book is well-argued and comprehensively researched. Read in combination with his earlier work on Marx, N. Scott Arnold's *The Philosophy and Economics of Market Socialism* offers the community of scholars

a serious challenge to the entire intellectual underpinnings of the Left's critique of capitalism.

PETER J. BOETTKE, Economics, New York University, 269 Mercer Street,
New York, NY 10003-6687, U.S.A.

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