

SOCIALISM: A PROPERTY OR AGGRESSION PROBLEM?

DAWID MEGGER AND MARCOS BENJAMÍN-GONZALO*

JEL CLASSIFICATION: B25, D6, P14, P51

ABSTRACT: There seems to be an unappreciated point of contention in the Austrian literature regarding the socialist economic calculation problem beyond the Mises–Hayek “dehomogenization” debate. This tension concerns the essence of socialism and the economic calculation problem: while some authors (e.g., Mises and Hayek) employ the classical definition of socialism as a socioeconomic system characterized by the collective ownership of the means of production, others (e.g., Hoppe and Huerta de Soto) define it as a system of institutionalized aggression. Moreover, the latter see aggression as the essential feature of socialism’s economic failure. In this article, we argue that this conception is a novelty unconnected to Mises’s views and that aggression should not be regarded as the essential problem of socialism. We illustrate our point with a thought experiment comparing the system we might call “voluntary socialism” with genuine capitalism. Finally, we

* Dawid Megger, PhD (dawid.megger95@gmail.com), is an assistant professor at the Department of Economics, Faculty of Economic Sciences and Management, Nicolaus Copernicus University in Toruń, Poland. ORCID: 0000-0002-2827-4607.

Marcos Benjamín-Gonzalo (marcosbenjamin03@gmail.com) is a doctoral student at l’Université d’Angers. ORCID: 0000-0002-6476-3475.

We would like to express our gratitude to Prof. Guido Hülsmann and Prof. Jesús Huerta de Soto for their valuable comments on our presentation of a draft of this paper at the Madrid Annual Conference on Austrian Economics in 2023. We also want to thank our colleague Adrián González Fuentes for an interesting discussion on scholasticism and the essence of socialism during the same conference. And last but not least, we are very grateful to the reviewers whose engaging comments helped us significantly improve our paper.



review some historical examples of voluntary socialist communities and compare them to the ideal of pure voluntary socialism.

Some time ago, within the Austrian camp, there was a discussion about Ludwig von Mises's and Friedrich Hayek's arguments against the possibility of socialist economic calculation. Some scholars argued that their points of view were essentially different and should, therefore, be "dehomogenized." Roughly speaking, it was thought that while Mises argued that the key economic problem of socialism is related to the monetary calculation of capital goods, Hayek contended that it stems from the inevitable ignorance and the nature of social knowledge (Herbener 1996; Hoppe 1996; Hülsmann 1997; Rothbard 1991; Salerno 1990, 1993, 1994, 1996). On the other hand, some Austrian scholars argued that the arguments of Mises and Hayek were at least complementary, not to say simply different sides of the same coin (Boettke 2001; Huerta de Soto 2010; Kirzner 1996; Yeager 1994, 1995, 1997).

The assessment of this debate is not the subject of our research.¹ However, another tension can be found in the Austrian literature on this issue. Some contemporary Austrian economists suggest that the traditional definition of socialism (which was used by Mises and Hayek)—that is, a socioeconomic system based on the public (whether that be a general collective or the state) ownership of the means of production—is inadequate. Instead, they identify the essence of socialism in aggression—that is, the initiation of coercion or violence. Interestingly, this view can be found on both sides of the dehomogenization debate. Hans-Hermann Hoppe conceptualizes socialism as "an institutionalized policy of aggression against property" (Hoppe 2010, 18), and Jesús Huerta de Soto sees it as "any organized system of institutional aggression against entrepreneurship and human action" (Huerta de Soto 2010, 85). Similar ideas can be found in the writings of other Austrians. For example, Mateusz Machaj (2007) contends that "the whole problem with socialism is that it is a one-will (owner) system, created through aggression and sustained by violence" (Machaj 2007, 271–72).

¹ For a brief summary of the discussion in question, see, for example, Turowski and Machaj (2022).

Curiously enough, Mises himself may not agree with such bold statements. He suggests that socialism would not work even if human nature were completely altruistic: “Even angels, if they were endowed only with human reason, could not form a socialistic community” (Mises 1951, 451). Since angels do not initiate coercion or violence², it seems that socialism without coercion might make sense to Mises. Similarly, Hayek stresses that, according to the wider definition he uses in his economic investigations, socialism is simply “any case of collectivist control of productive resources” (Hayek 1963a, 17). Therefore, it seems that Mises and Hayek, unlike the aforementioned scholars, would not say that “voluntary socialism” is a *contradictio in adjecto*. It is perhaps worth noting that the term “voluntary socialism” has been used by Walter E. Block (1992).

The situation is more ambiguous in the case of Murray N. Rothbard. In *Man, Economy, and State with Power and Market*, he suggests that coercion belongs to the essence of socialism: “Socialism, in short, is the violent abolition of the market, the compulsory monopolization of the entire productive sphere by the State” (Rothbard 2009, 958). However, in a later article, he says that “the very essence of socialism is collective ownership of the means of production” (Rothbard 1991, 53). Regardless of the definition, Rothbard’s (1976, 2009) extension of the calculation argument to the analysis of the “One Big Firm”—in which he holds that were there only one producer in the market, he would face the same economic calculation problem as the central planner—is an important contribution that we make use of in our article. More specifically, we observe that the same economic calculation problem occurs in voluntary socialism.

Our goal in this article is to defend Mises’s original position and his use of the classical definition of socialism against the propositions of Hoppe, Huerta de Soto, and Machaj. We argue

² As the editor brilliantly pointed out, *biblical angels* were sometimes sent by God to carry out violence (like in the story of Sodom and Gomorrah or in the Book of Revelation). However, in common parlance, an angel is often understood as a helpful, nonaggressive, altruistic being. A premise suggesting that Mises has the latter meaning in mind is his emphasis on the “human reason” that they are supposed to possess. In theology, angels are believed to have cognitive powers that are substantially different from human reason—angels do not need to process information but simply grasp everything at once (although, unlike God, they have limited knowledge).

that even if in practice it is impossible to separate aggression from socialism, these phenomena can and should be theoretically distinguished. Accordingly, being established or sustained by means of coercion or violence should not be regarded as the essential characteristic of socialism.³ Therefore, in this regard, the Mises–Hayek and Hoppe–Huerta de Soto–Machaj positions should be dehomogenized from each other. Still, we contend, the original Misesian argument convincingly proves that, in the long run, neither a voluntary nor a forced socialist system can satisfy consumer preferences as effectively as capitalism or a free market can. In other words, Mises’s original position that the essential problem of socialist economic calculation stems from the lack of a decentralized market for capital goods is sufficient to prove the economic inferiority of socialism. In this context, the distinction between *ex ante* and *ex post* analysis is particularly important. While in the former we are interested in the individuals’ expectations regarding their actions (voluntary actions, unlike coerced ones, are supposed to be always beneficial *ex ante*; see, e.g., Rothbard 1956, 2009), in the latter we evaluate the past goals in light of the later preferences or whether the chosen means were adequate to the given end. We argue that even if voluntary capitalism and voluntary socialism do not differ in the *ex ante* analysis of welfare, they are different from the *ex post* perspective. We illustrate our thesis with a thought experiment and review some historical examples of voluntary socialist communities.

³ One might argue that socialism does not have any essence, because it is not a being on its own but rather just a human design or ideology. Moreover, an Aristotelian–Thomistic account might notice that social systems, unlike human individuals, do not (and cannot) have substantial forms (essences in the most proper sense). Our notion of essence, however, is not so strong. When we talk about the essence of socialism or capitalism, we simply have in mind its most important feature, perhaps from the point of view of economic debate. In our opinion, it is worth using definitions of socioeconomic systems that could be eagerly shared by people of different political views. If a supporter of capitalism defines socialism as a system of institutionalized aggression, a socialist would obviously reject this definition. Similarly, if a socialist defined capitalism as a system of institutionalized exploitation of the working class, a capitalist would not accept that. As a result, any meaningful economic discussion would be rendered impossible.

SOCIALISM AS A PROBLEM OF AGGRESSION

As we have already mentioned, some contemporary Austrians conceptualize socialism as a social system based on institutionalized aggression against private property (Hoppe 2010) or entrepreneurship and human action (Huerta de Soto 2015). Let us briefly follow this thread.

Both Hoppe and Huerta de Soto are fully aware of their definitional shift and appear to make it deliberately. They even suggest that the traditional definition of socialism is insufficient or too narrow. In his treatise, Hoppe dedicates a chapter to the problem of “Russian style socialism” or “socialism par excellence,” to which he ascribes the traditional definition of socialism: “a social system in which the means of production, that is, the scarce resources used to produce consumption goods, are ‘nationalized’ or ‘socialized.’” Nevertheless, he treats this conception only as a “starting point for any discussion of socialism” (Hoppe 2010, 33). The essence of socialism is assumed to consist in institutional aggression against property rights.

In Hoppe’s analysis, property occupies a central place: “Next to the concept of action, property is the most basic category in the social sciences” (Hoppe 2010, 18). According to him, property refers to scarce resources only, and property rights are norms for solving possible conflicts over scarce resources. If property rights did not exist, there could be more than one legal claim to the use of a particular good at the same time, which would generate conflicts. Hoppe argues that the two fundamental and mutually exclusive types of social interactions—aggression and contract—should be defined in terms of property rights. Contractual, or voluntary, exchanges “are characterized by the fact that an agreement on the use of scarce resources is reached. . . . By definition, such contractual exchanges, while not necessarily advantageous for each and all of the exchanging partners in retrospect . . . , are always, and necessarily so, mutually advantageous for every participant *ex ante*, otherwise the exchange simply would not take place.” By contrast, “an aggressive act always and necessarily implies that a person, by performing it, increases his/her satisfaction at the expense of a decrease in the satisfaction of another person.” (Hoppe 2010, 22–23)

Clearly, Hoppe implicitly relies here on the principles of Rothbardian welfare economics. Rothbard—relying on the concepts of

Pareto-superior moves, demonstrated preference, and voluntary exchange—argues that voluntary, or contractual, exchanges are necessarily mutually beneficial *ex ante* and, therefore, the free market must maximize social welfare *ex ante* (Rothbard 1956).

From what has been said up to this point, we can easily deduce that Hoppe's answer to the question of whether socialism can be economically efficient must be unequivocal: it cannot. His basic argument can be summarized as follows: if socialism is defined as a system of institutionalized aggression against private property, and aggression is always welfare-diminishing *ex ante*, then socialism, in contrast to capitalism, must be welfare-diminishing *ex ante*. Or, to put this argument in a form of syllogism:

(P1) Socialism is an institutionalized policy of aggression against property;

(P2) Aggression is necessarily welfare-diminishing *ex ante*;

Therefore:

(C) Socialism is necessarily welfare-diminishing *ex ante*.

Conclusion (C) follows by necessity from premises (P1) and (P2). However, the conclusion of a deductive argument is only as certain as the premises on which it is built. Let us put aside or take for granted the premise (P2). Since our goal in this paper is to investigate the essence of socialism, it is the premise (P1) that is of particular interest to us. We will take a closer look at it in the following sections. Nevertheless, already at this point we could ask: if the whole issue with socialism were so simple and evident as explained above, why would Austrians engage in the debate over economic calculation under socialism in the first place? The deeper reasons for the debate only come to light in *ex post* evaluations of these economic systems.

Huerta de Soto, as opposed to supporters of dehomogenizing Mises's and Hayek's positions from each other (Herbener 1996; Hoppe 1996; Hülsmann 1997; Rothbard 1991; Salerno 1990, 1993, 1994, 1996), contends that their arguments against socialism are just different sides of the same coin and fundamentally complementary. His critique of socialism does not focus on the *ex ante* efficiency of voluntary exchanges. Indeed, he even rejects the concept of Pareto-superior moves because of its static nature (Huerta de Soto 2009).

Huerta de Soto's argument is instead about the problem of creation and the transmission of information. Like Hoppe, he contends that institutional coercion is the essential feature of socialism: "Socialism acts via systematic, institutional coercion, and this is its primary characteristic. This is a very significant point, because, without fail, socialists wish to hide their coercive side, the essential characteristic of their system" (Huerta de Soto 2015, 94). But it is impossible to obtain the information that economic calculation would require, which is only created and transmitted through the voluntary interactions of entrepreneurs: "Socialism is an intellectual error, because it is impossible for the governing body responsible for exercising coercion to acquire the information it would need to make its commands truly coordinating. This is the problem with socialism, its central paradox" (95).

The key problem of socialism is not property concentration but aggression. For Huerta de Soto, unlike for Hoppe, this is related to the problem of knowledge creation and transmission rather than welfare. What seems to escape Huerta de Soto's attention is the possibility of voluntary compliance with orders or commands. He even seems to suggest that commands are necessarily coercive: "A command can be defined as any specific instruction or rule which has an explicit content and which, regardless of its formal legal appearance, forbids, orders or compels people to carry out certain actions under particular circumstances. A command is characterized by the fact that it prevents human beings from freely exercising their entrepreneurship in a given social area. Furthermore, commands are deliberate creations of the governing body which applies institutional coercion, and they are designed to force all actors to realize or pursue not their own objectives, but those of the authorities" (Huerta de Soto 2010, 53). But while managers in the free market give certain commands to subordinates, Huerta de Soto would probably agree that private firms do not therefore operate by means of coercion.

On the relation between socialism and aggression, Machaj takes a similar position, but his view seems closer to Hoppe's: "Every step toward socialism is uneconomical, since it is not a result of the intellectual division of labor, but is a natural consequence of antisocial action, qualified as aggression" (Machaj 2007, 275). He also says that socialism is the "system, which in essence steals everything" (278)

and even goes so far as to argue—contra Mises—that the problem with socialism is not so much calculation as property. Calculation is possible under so-called market socialism: arithmetical operations can be performed on the numbers that are centrally ascribed to particular resources. But there is a difference between the results of those operations, on the one hand, and genuine market prices, on the other, due to different sets of property rights: “The problem of socialism becomes a property problem, not a problem of calculation” (260).

SOCIALISM AS A PROBLEM OF PROPERTY

As Machaj (2007) and Rothbard (1976, 1991) emphasize, the economic problem of socialism is the lack of a market for capital goods. This thesis, even if not underscored, was already present in Mises’s seminal work *Economic Calculation in the Socialist Commonwealth* (1990). As Rothbard puts it, “The real problem, as Mises has insisted from the beginning, is in all the intermediate markets for land and capital goods” (Rothbard 1991, 56).

In his treatise *Human Action: A Treatise on Economics*, Mises says something that at first glance might recall the aforementioned views of Hoppe, Huerta de Soto, and Machaj: “The essential mark of socialism is that *one will* alone acts. It is immaterial whose will it is. The director may be anointed king or a dictator, ruling by virtue of his *charisma*, he may be a Führer or a board of Führers appointed by the vote of the people. The main thing is that the employment of all factors of production is directed by one agency only” (Mises 1998, 691–92; emphasis added). We cannot, however, infer from this quote that the essential feature of socialism is aggression. As already noted, it is possible to voluntarily obey commands. Mises writes here about “a dictator, ruling by virtue of his charisma,” not by fear or aggression. Thus, what matters for socialism is that only one will formulates economic plans—namely, that all decisions about the use of scarce resources are centralized.

Some support for such interpretation can be found in Rothbard, who extends the Misesian calculation argument. He argues that Mises’s economic calculation problem

applies to any situation where one group has acquired control of the means of production over a large area—or, in a strict sense, throughout

the world. On this particular aspect of socialism, *it doesn't matter whether this unitary control has come about through the coercive expropriation brought about by socialism or by voluntary processes on the free market*. . . . The Mises analysis applies to any situation where a market for capital goods has disappeared in a complex industrial economy, whether because of socialism or because of a giant merger into One Big Firm or One Big Cartel. (Rothbard 1976, 75; emphasis added)

"One Big Firm" that owns all the capital goods would share the key problem of socialism: "such a firm could not calculate because of the absence of a market, and therefore . . . it would suffer grave losses and dislocations" (75). In Rothbard's view, the problem for One Big Firm is that, without a market, it has no external prices to which it can refer. "In short, if there were no market for a product, and all of its exchanges were internal, there would be no way for a firm or for anyone else to determine a price for the good. A firm can estimate an implicit price when an external market exists; but when a market is absent, the good can have no price, whether implicit or explicit" (613). Some socialist countries were able to calculate to some extent because they were operating in a world where there were capitalist countries (Rothbard 2009, 959). As Rothbard brilliantly noticed, the economic calculation problem must occur whenever there is only one owner of all the means of production. Even if he suggests at times that the use of coercion and violence is an essential feature of socialism and that aggression necessarily reduces welfare, he emphasizes that socialist economies face calculation problems because of property concentration:

Paradoxically, the reason why a socialist economy cannot calculate is not specifically because it is socialist! Socialism is that system in which the State forcibly seizes control of all the means of production in the economy. The reason for the impossibility of calculation under socialism is that one agent owns or directs the use of all the resources in the economy. It should be clear that it does not make any difference whether that one agent is the State or one private individual or private cartel. (Rothbard 2009, 615)

Hence, the economic calculation problem results from the fact that under socialism there is only one agent who directs all the production processes. Hoppe, Huerta de Soto, and Machaj are certainly aware of this argument, but their emphasis on coercion

suggests the view that aggression is a necessary condition for the economic calculation problem to occur. Our own argument is roughly in line with Rothbard's but may differ in the definition of socialism: while Rothbard sometimes suggests that aggression is a necessary feature of socialism, we define it more broadly, following Mises and Hayek, as a socioeconomic system based on collective ownership of the means of production, whether established voluntarily or not.

What factors, then, make genuine economic calculation possible? Mises (1990) lists three necessary conditions: (1) private property of capital goods, (2) a competitive market for both consumer and capital goods, and (3) the existence of money to serve as a unit of account for all kinds of goods. Only under these conditions can the monetary imputation of value from consumer to capital goods work. In other words, pricing processes extend from lower-order goods to higher-order goods, which can in turn make entrepreneurial appraisals accurate. Capitalism is not just a managerial system, in which managers try to attain given ends in the most economical way, but also an entrepreneurial one, in which owners of capital goods anticipate consumer desires, make allocation decisions, and risk incurring losses. As Herbener puts it, "Only with private property can entrepreneurs and capitalists risk their own wealth in the process of social production and therefore be in a position to make accurate appraisals of factor values" (Herbener 1996, 158). The same thought is no less clearly expressed by Rothbard: "It is precisely this central and vital role of the appraising entrepreneur, driven by the quest for profits and the avoidance of losses, that cannot be fulfilled by the socialist planning board, for lack of a market in the means of production. Without such a market, there are no genuine money prices and therefore no means for the entrepreneur to calculate and appraise in cardinal monetary terms" (Rothbard 1991, 66).

The economic efficiency of capitalism, then, stems not only from market exchanges being voluntary but also from the existence and preservation of certain social institutions. The following quote from Mises seems especially noteworthy in this context: "The system of economic calculation in monetary terms is conditioned by certain social institutions. It can operate only in an institutional setting of the division of labor and private ownership of the means of production, in which goods and services of all orders are

bought and sold against a generally used medium of exchange, i.e., money" (Mises 1998, 230). For this reason, Mises defines socialism as "the system of social or governmental ownership of the means of production" (Mises 1998, 259) and Hayek follows him in that. They seem to consider coercion to be at most a secondary feature of socialism. Mises even assumes that the members of the socialist commonwealth approve of and agree with their director's decisions: "Neither do we raise the question of whether the people, the wards, approve or disapprove of their director's decisions. We may assume, for the sake of argument, that a mysterious power makes everyone agree with one another and with the director in the valuation of ultimate ends" (Mises 1998, 692–93).

SOCIALISM: PROBLEM OF PROPERTY OR COERCION?

This section illustrates our main thesis with a thought experiment. But first, it is worth noting that, for Mises, the choice of economic system is a question of selecting the means appropriate to given ends. Socialism, he argues, is not an adequate means to increase wealth: "It is important to realize that this problem has nothing at all to do with the valuation of the ultimate ends. It refers only to the means by the employment of which the ultimate ends chosen are to be attained. . . . Our problem, the crucial and only problem of socialism, is a purely economic problem, and as such refers merely to means and not to ultimate ends" (Mises 1998, 692–93).

Whether an ultimate goal can be achieved depends on the means chosen. Mises talks about something he calls "rightly understood interests": "The utilitarian economist . . . does not ask a man to renounce his well-being for the benefit of society. He advises him to recognize what his rightly understood interests are" (Mises 1998, 147). It should not be a misinterpretation to say that the term in question concerns the means that are appropriate for attaining the ultimate ends, and the above quote suggests that economists can help people make better-informed choices. The task of an economist was perceived similarly by Hayek: "On the validity of the ultimate ends science has nothing to say. . . . All that we can rationally argue about is whether and to what extent given measures will lead to the desired results" (Hayek 1963a, 16). Even if all voluntary actions are

beneficial ex ante, it seems no less important that knowledge about means can help people optimize the results of their decisions and, consequently, their ex post evaluations.

We can enforce our thesis by the following thought experiment, which illustrates that socialism would be inferior to capitalism even if both systems were established voluntarily and hence economically efficient ex ante. Imagine a society of perfectly good and altruistic people who live together peacefully. No one is eager to initiate coercion or violence against each other. Let us call their country the Shire. The members of this society do not know capitalist institutions, such as money or the market for capital goods. They exchange goods with each other through barter. From time to time, the inhabitants of the Shire suffer shortages, and, in general, they are not satisfied with their economic situation. They would like to increase their wealth (understood as the available quantity of economic goods or the accumulation of scarce resources)⁴ in the long run, but they have no idea how to do it, so they look for some new economic order. Here are two different scenarios:

Scenario 1: One day, a sage—let us call him Plato—comes to the Shire. The inhabitants of the Shire are so impressed by his wisdom that they ask him for advice on how to increase their wealth. Plato suggests that they give him control over all the means of production so that he can manage and tell them what to produce. He promises to prepare a good long-term economic plan that will make them richer. Citizens of the Shire appreciate this idea and say, “Yes, please, take all our productive means under your control and direct all the production processes.” The citizens of the Shire as well as Plato cooperate voluntarily, and everyone benefits ex ante.

Scenario 2: One day, a sage—let us call him Ludwig—comes to the Shire. The inhabitants of the Shire are impressed by his wisdom

⁴ Such a definition of wealth is common among economists. It can be found, for example, in Carl Menger’s *Principles of Economics*. As the founder of the Austrian school puts it, “Wealth can therefore also be defined as the entire sum of goods at an economizing individual’s command, the quantities of which are smaller than the requirements for them” (Menger 2007, 109). In appendix B (288–92), Menger notes that some theorists contend that wealth is constituted by goods that are tangible or material (e.g., Thomas Malthus), and others put more emphasis on exchangeability, marketability, or tradability (e.g., Jean-Baptiste Say, John Stuart Mill, and Nassau William Senior).

and ask him how to increase their wealth. Ludwig tells them that they have only two options: either private ownership of the means of production or hunger and misery for everyone. He encourages them to create a market for capital goods and use some resource as a commonly accepted unit of account—that is, money. The inhabitants of the Shire agree on that, start cooperating and competing voluntarily, and everyone benefits *ex ante*.

In terms of welfare *ex ante*, both scenarios are the same. What, then, is the difference between them? Following the Misesian definition of socialism, we claim—contra Hoppe and Huerta de Soto—that the first scenario presents the formation of a socialist commonwealth. The second scenario, in turn, illustrates the formation of a capitalist society. In accordance with the Misesian economic calculation argument, the inhabitants of the Shire in the first scenario would have no measure to assess the value of capital goods and would therefore be unable to anticipate or evaluate the opportunity costs of different investments. In other words, under Plato's commands, there is no place for genuine economic calculation, which must result in misallocations of capital goods. Accordingly, in the first scenario, it would not be possible to produce as much wealth (understood as the quantity and quality of scarce goods available) as in the second (capitalist) scenario. This illustrates Hayek's counterfactual assertion that "what we should anticipate is that output, where the use of the available resources was determined by some central authority, would be lower than if the price mechanism of a market operated freely under otherwise similar circumstances" (Hayek 1963b, 204). Following Mises's line of argumentation, we could say that, in the first scenario, the citizens of the Shire have simply chosen the wrong means to attain their end.

"VOLUNTARY SOCIALISM" AND ITS HISTORICAL (REAL-WORLD) EXAMPLES

Given the distinction between voluntary socialism and capitalism, one might ask where is the boundary line between these socioeconomic systems? Following Mises, we could say that the crucial difference between capitalism and socialism is the existence of a stock market (Rothbard 1991; Cwik 1999). This means that it might be identified in the institutions: under socialism, there is

only one owner of the means of production (be it a dictator or the whole society), but a capitalist order is based on private property of consumer and capital goods, dispersed among many economic agents, who exchange them on a market using money, a common unit of account for all types of goods. We could, then, imagine a barter society like the Shire that is neither socialist (because there exists private property) nor capitalist (because there is no market for capital goods and money). We believe that this view is both theoretically and historically justified.

In accordance with the definition we adopted in this article, the term socialism refers to the way of organizing production in society. However, as Hayek noticed, “the same collectivist methods may . . . be applied in the service of quite different ends” (Hayek 1963a, 15). Taking this into account, it would be legitimate to call socialist all communities characterized by the collective ownership of the means of production. In this broad sense, historical examples of socialism can include not only coercive states like the Soviet Union and Germany under National Socialism but also voluntary communities like families, monasteries, kibbutzim, hippie communes, and certain nineteenth-century societies based on ideas of the so-called utopian socialists (e.g., Charles Fourier’s phalansteries and Robert Owen’s villages of cooperation).

Nonetheless, it may help to narrow our definition to account for other characteristics that are present in our thought experiment. The marks of our Shire in its socialist version are as follows: (1) It is founded by voluntary agreement, not by violence or coercion; (2) the shared goal of its inhabitants is to increase their wealth; (3) the selected means to meet this goal are collective ownership of the means of production and the rejection of capitalist institutions (money and private property); and (4) the scale of this economic organization is communitarian.

Must all these characteristics be met for there to be voluntary socialism? Points 1 and 3 seem uncontroversial, but there may be contention about points 2 and 4. Is a particular goal of the members of the community required for voluntary socialism? If so, we might exclude—contra Block (1992)—communities such as families, monasteries, and nunneries. Moreover, from a historical perspective, it might be anachronistic to call medieval monasteries socialist. What

matters for economics is that since monasteries are not concerned with increasing their wealth (quite the opposite, actually!), an ex post analysis will not find they have erred for not choosing capitalist institutions. Their choice of means was appropriate.

Point 4 poses a more difficult problem. By “communitarian scale” we mean whether the community is isolated from a wider market economy. Kibbutzim exist for productive ends,⁵ but they operate in a market environment based on capitalist institutions, such as money and private property, even if they do not use them for their internal organization (Azarnert 2017). Indeed, kibbutz members “held Israeli currency only if they had to buy something from the outside on their own, and that rarely happened. The kibbutz usually bought necessary outside products en masse and either distributed them to members or made them available for any member’s use whenever needed. Thus, kibbutz members had no use for personal bank accounts” (849). Kibbutzim were not isolated from the wider society for necessary exchanges even when they attempted self-sufficiency, but the same could be said about real-world *coercive* socialist regimes, such as the Soviet Union, Cuba, and North Korea. Indeed, these countries have never been isolated from the rest of the capitalist world but “were operating in an environment in which the price system still worked. They could resort to economic calculation on the ground of the prices established abroad. . . . Only because they were able to refer to these foreign prices were they able to calculate, to keep books, and to prepare their much talked about plans” (Mises 1998, 698–99). We nevertheless refer to these countries as socialist even if they do not meet the ideal of a self-sufficient, nonmonetary system. Could not kibbutzim, then, be called socialist too? The condition still adds nuance to any potential definition of voluntary socialism: just as there are degrees in the “purity” of coercive socialism, so there are in voluntary socialism.

The so-called Owenite (from the name Robert Owen) socialist communities seem to be the closest approximation to our idea of the socialist Shire, a pure form of voluntary socialism meeting all four conditions (voluntariness, productive ends, collective ownership of the means of production, and communitarian scale).

⁵ By productive ends we simply mean the goal of producing wealth—that is, increasing the quantity of economic goods (those objects that are scarce).

The best examples might include (1) the New Harmony community of 1824–27, (2) the Ralahine community of 1831–33, and (3) the Harmony Hall community of 1839–45.⁶

New Harmony was purchased in “Indiana from its founders and occupants, a divergent German Lutheran sect known as Rappites” (Martin 1970, 7). Although it was thought to be self-sufficient, “common ownership of property was not established” (Carmony and Elliott 1980, 169). Still, production was commanded, and labor exchange notes were used as a substitute for money: “All members were to render willingly ‘their best services for the good of society according to their age, experience, and capacity,’” which would in turn render them rights (“credits”) to goods and services at the community store (Wilson 1964, 118). The Owenite community had inherited the capital goods left behind by the Rappites, and yet most of these goods remained idle (134–35). When Owen returned to New Harmony in 1825, he introduced some capitalist reforms to his system, allowing for capital investment for those who did not contribute with labor services “by special arrangement with the governing committee” (Wilson 1964, 118). Still, privately owned livestock “would be taken over by society and the value of the animals would be placed to the credit of the previous owner if society desired what was offered” (Carmony and Elliott 1980, 168).

The Ralahine commune was built on John Scott Vandeleur’s inherited land. He was seduced by Owen’s promise of “a permanent, peaceful, healthy and contented workforce with high levels of productivity” (Geoghegan 1991, 380). The secretary of the commune thought that, given the attachment of the local Irishmen to their traditions and the “old system,” “full-blown socialism could not be achieved overnight” (387). The system would start by making everyone a “labouring capitalist,” breaking the class division of the time. In reality, however, “Vandeleur rented the land, implements and stock to the community” (392). The laborers would have to accumulate enough capital to buy Vandeleur out (much

⁶ The New Lanark community of 1800 and the Orbiston community of 1825–27 are also sometimes given as examples, but we must add a few caveats. New Lanark was voluntarily formed, but it was no different than a firm that offered greater welfare benefits to their employees. Orbiston, in turn, was intended to be a worker-owned cooperative (Garnett 1972, 71), but it “was not to be a self-sufficient commune, but a cooperative trading endeavour” (Schrauwers 2009, 104).

like in Orbiston). We cannot judge the success of the community with certainty, as far as historical analysis is concerned, because Vandeleur had to liquidate his property to cover gambling losses two years after the experiment began.

Finally, Harmony Hall took place in Queenwood Farm, an estate owned by Sir Isaac Goldsmid, which he leased to Robert Owen in 1839 (Garnet 1972, 166). This was the most explicit of all the preceding communities. Its constitution stated that the whole land and property, as well as labor itself, “shall be held forever as common property, applicable to the objects of the whole society” and, furthermore, that the governor of the commune would be given “full power to direct, manage and control all the operations” until the other members of the community acquired sufficient technical knowledge to work by themselves (165). Curiously, this was the commune that lasted the longest out of all those mentioned above. Still, just as Harmony Hall’s life was relatively long, it was no less painful. Just as in New Harmony, the Queenwood community suffered shortages and bottlenecks, which made the community fall deeper into debt just to sustain the needs of its members. The situation got to a point where a group of working-class Owenites staged a coup d’état against Owen himself, taking control of the commune. The financial plight was still too much to bear for the new government and, in 1845, most of the community members had already left (Harrison 1994, 173).

Figure 1: Voluntary socialism matrix

	Communitarian scale	Noncommunitarian scale
Productive ends	Pure voluntary socialism (Owenite socialism)	Market voluntary socialism (mutualism, distributism, kibbutzim)
Nonproductive ends	Monastic voluntary socialism (monasteries)	Recreational voluntary socialism (hippie communes)

Figure 1 is a matrix summarizing all the possible combinations of voluntary socialism according to criteria 2 and 4. The rows classify voluntary socialism according to their ends (productive or

nonproductive). As economists, we might not be concerned with ends but with the means to accomplish them, but whether the ends are productive matters for ex post analysis. The columns address whether voluntary socialism is being practiced on a communitarian or noncommunitarian scale. With these two classifications, we can now categorize voluntary socialism by its “purity.”

First, pure voluntary socialism refers to an isolated community that aims to maximize, or at least increase, its wealth by collectivist means. Our hypothetical Shire is the ideal example of pure voluntary socialism, but some of the nineteenth-century utopian socialist experiments (especially the Owenite movement) seem like close approximations. Second, market voluntary socialism refers to socialist forms of organization, such as the kibbutzim, that compete in a wider market economy. There are also theoretical forms of noncoercive voluntary socialism competing in a market economy, such as Pierre-Joseph Proudhon’s mutualism and some forms of distributism. Third, monastic voluntary socialism, for lack of a better term, may refer to socialist organizations that lack productive ends and do not partake in market activities. Finally, recreational voluntary socialism refers to less “serious” forms of socialist organization, such as hippie communes and other left-wing anarchist communities, that neither seek to increase wealth nor encompass a whole society.

CONCLUSION

In practice, coercion and violence usually serve as tools to establish socialism, but aggression should not be regarded as its essential characteristic. The socialist economic calculation problem stems not so much from the use of aggression as from the lack of capitalist institutions, such as money and the market for capital goods.

As we have tried to show, economic efficiency is not just a matter of voluntariness but also of employing certain social institutions. Our thought experiment illustrated the thesis that even if voluntary socialism maximizes welfare ex ante, it does not maximize welfare ex post. In other words, in the long run, it is the wrong means to increase wealth (understood as the quantity of goods available). We hope our analysis has helped to clarify the virtues of capitalist institutions.

REFERENCES

- Azarnert, Leonid V. 2017. "Privatization of the Kibbutz and the Demand for Money." *Israel Affairs* 2 (5): 848–56. <https://doi.org/10.1080/13537121.2017.1343887>.
- Block, Walter. 1992. "Socialist Psychology: Values and Motivations." *Cultural Dynamics* 5, no. 3 (November): 260–86. <https://doi.org/10.1177/092137409200500304>.
- Boettke, Peter J. 2001. "Economic Calculation: The Austrian Contribution to Political Economy." In *Calculation and Coordination: Essays on Socialism and Transitional Political Economy*, edited by Mario J. Rizzo and Lawrence H. White, 29–46. London: Routledge.
- Carmony, Donald F., and Josephine M. Elliott. 1980. "New Harmony, Indiana: Robert Owen's Seedbed for Utopia." *Indiana Magazine of History* 76, no. 3 (September): 161–261. <https://scholarworks.iu.edu/journals/index.php/imh/article/view/10250>.
- Cwik, Paul F. 1999. "Stock Market Socialism." *Mises Daily*, February 2, 1999. <https://mises.org/library/stock-market-socialism>.
- Garnett, Ronald G. 1972. *Cooperation and the Owenite Socialist Communities in Britain, 1825–45*. Manchester: Manchester University Press.
- Geoghegan, Vincent. 1991. "Ralahine: An Irish Owenite Community (1831–1833)." *International Review of Social History* 36, no. 3 (December): 377–411. <https://doi.org/10.1017/S0020859000110697>.
- Harrison, John F. C. 1994. *Robert Owen and the Owenites in Britain and America: The Quest for the New Moral World*. Aldershot, U.K.: Gregg Revivals. First published 1969.
- Hayek, Friedrich. 1963a. "The Nature and the History of the Problem." In *Collectivist Economic Planning*, edited by Friedrich Hayek, 1–40. London: Routledge and Kegan Paul. First published 1935.
- . 1963b. "The Present State of the Debate." In *Collectivist Economic Planning*, edited by Friedrich Hayek, 201–43. London: Routledge and Kegan Paul. First published 1935.
- Herbener, Jeffrey M. 1996. "Calculation and the Question of Arithmetic." *Review of Austrian Economics* 9, no. 1 (March): 151–62. <https://doi.org/10.1007/BF01101889>.
- Hoppe, Hans-Hermann. 1996. "Socialism: A Property or Knowledge Problem?" *Review of Austrian Economics* 9, no. 1 (March): 143–49. <https://doi.org/10.1007/BF01101888>.

- . 2010. *A Theory of Socialism and Capitalism*. 2nd ed. Auburn, Ala.: Ludwig von Mises Institute. First published 1988.
- Huerta de Soto, Jesús. 2009. *The Theory of Dynamic Efficiency*. London: Routledge.
- . 2010. *Socialism, Economic Calculation and Entrepreneurship*. Cheltenham, U.K.: Edward Elgar. First published 1992.
- . 2015. "Austrians versus Market Socialists." In *The Oxford Handbook of Austrian Economics*, edited by Peter J. Boettke and Christopher J. Coyne, 94–114. New York: Oxford University Press.
- Hülsmann, Jörg Guido. 1997. "Knowledge, Judgment, and the Use of Property." *Review of Austrian Economics* 10, no. 1 (March): 23–48. <https://doi.org/10.1007/BF02538142>.
- Kirzner, Israel M. 1996. "Reflections on the Misesian Legacy in Economics." *Review of Austrian Economics* 9, no. 2 (September): 143–54. <https://doi.org/10.1007/BF01103334>.
- Machaj, Mateusz. 2007. "Market Socialism and the Property Problem: Different Perspective of the Socialist Calculation Debate." *Quarterly Journal of Austrian Economics* 10 (November): 257–80. <https://doi.org/10.1007/s12113-007-9027-x>.
- Martin, James J. 1970. *Men against the State: The Expositors of Individualist Anarchism in America, 1827–1908*. Colorado Springs, Colo.: Ralph Myles. First published 1953.
- Menger, Carl. 2007. *Principles of Economics*. Translated by James Dingwall and Bert F. Hoselitz. Auburn, Ala.: Ludwig von Mises Institute. German original published 1871.
- Mises, Ludwig von. 1951. *Socialism: An Economic and Sociological Analysis*. Translated by J. Kahane. New Haven, Conn.: Yale University Press. German original published 1922.
- . 1990. *Economic Calculation in the Socialist Commonwealth*. Translated by S. Adler. Auburn, Ala.: Ludwig von Mises Institute. German original published 1920.
- . 1998. *Human Action: A Treatise on Economics*. Scholar's ed. Auburn, Ala.: Ludwig von Mises Institute. First published 1949.
- Rothbard, Murray N. 1956. "Toward a Reconstruction of Utility and Welfare Economics." In *On Freedom and Free Enterprise: The Economics of Free Enterprise*, edited by Mary Sennholz, 224–62. New York: D. Van Nostrand.

- . 1976. "Ludwig von Mises and Economic Calculation under Socialism." In *The Economics of Ludwig von Mises*, edited by Lawrence S. Moss, 67–77. Kansas City, Mo.: Sheed and Ward.
- . 1991. "The End of Socialism and the Calculation Debate Revisited." *Review of Austrian Economics* 5, no. 2 (September): 51–76. <https://doi.org/10.1007/BF02426928>.
- . 2009. *Man, Economy, and State with Power and Market*. 2nd scholar's ed. Auburn, Ala.: Ludwig von Mises Institute.
- Salerno, Joseph T. 1990. "Ludwig von Mises as a Social Rationalist." *Review of Austrian Economics* 4:26–54. https://doi.org/10.1007/978-94-017-3454-7_2.
- . 1993. "Mises and Hayek Dehomogenized." *Review of Austrian Economics* 6, no. 2 (September): 113–46. <https://doi.org/10.1007/BF00842707>.
- . 1994. "Reply to Leland B. Yeager on 'Mises and Hayek on Calculation and Knowledge.'" *Review of Austrian Economics* 7, no. 2 (September): 111–25. <https://doi.org/10.1007/BF01101945>.
- . 1996. "A Final Word: Calculation, Knowledge, and Appraisalment." *Review of Austrian Economics* 9, no. 1 (March): 141–42. <https://doi.org/10.1007/BF01101887>.
- Schrauwers, Aalbert. 2009. *Union is Strength: W. L. Mackenzie, the Children of Peace and the Emergence of Joint Stock Democracy in Upper Canada*. Toronto: University of Toronto Press.
- Turowski, Krzysztof, and Mateusz Machaj. 2022. "Economic Calculation and Socialism." In *A Modern Guide to Austrian Economics*, edited by Per Bylund, 142–64. Northampton, Mass.: Edward Elgar.
- Wilson, William E. 1964. *The Angel and the Serpent: The Story of New Harmony*. Bloomington: Indiana University Press.
- Yeager, Leland B. 1994. "Mises and Hayek on Calculation and Knowledge." *Review of Austrian Economics* 7, no. 2 (September): 93–109. <https://doi.org/10.1007/BF01101945>.
- . 1995. "Rejoinder: Salerno on Calculation, Knowledge, and Appraisalment." *Review of Austrian Economics* 9, no. 1 (March): 137–39. <https://doi.org/10.1007/BF01101886>.
- . 1997. "Calculation and Knowledge: Let's Write *Finis*." *Review of Austrian Economics* 10, no. 1 (March): 133–36. <https://doi.org/10.1007/BF02538147>.