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Economic Calculation. Three Studies

A Socialist Empire: The Incas of Peru, by *Louis Baldin*". Translated from the French by Katherine Woods. (Princeton: D. Van Nostrand Company, Inc., '96', 442 pp.)

Economic Calculation in the Socialist Society, by *T. J. B. Hoff*. Translated from the Norwegian by M. A. Michael. (London: William Hodge and Company, Limited, '949, 264 pp.)

Man, Economy, and State, by *Murray N. Rothbard*. 2 Vols. (Princeton: D. Van Nostrand Company, Inc., '962, 987 pp.)

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THE perennial fascination held by the notion of a lost civilization can find few more notable examples than the Inca culture of Peru. Over the generations writers have recurrently turned to it. Now available in English, by Professor Louis Baudin, is a book on this Socialist empire which is a model of careful historical writing—with its studious sifting and weighing of evidence, its meticulous documentation, and its temperate and judicious conclusions.

For all its weightiness, the book is more than readable. Bringing to life the striking achievement of the Incas in a forbidding environment, the author examines with utmost care how these political geniuses maintained for hundreds of years before Columbus a peaceful, orderly society which in a sense eradicated economic insecurity. The picture needs little emphasis to cause a reader to ponder on other societies and on the problems which have through the ages dogged men in their efforts to achieve order and justice. Here we find a leader with absolute power laboring in a dedicated manner for the welfare of his subjects, seldom merciless except to those who fail of active cooperation. He is assisted by an elite caste permitting minimal recruitment from the masses to drain off the few who are outstandingly able and hence potentially revolutionary— an elite tightly bound, by tradition, a system of informers, and other devices, to the service of the system. In the caste comprising the masses, each group of ten families lives under the close surveillance of a leader, as far as possible in the public gaze, never traveling from the native village except for state reasons. Work is kept within reasonable bounds

and work orders are followed unquestioningly even when they uproot groups to settle them in far parts of the realm. To each is given according to his need; but "needs" are highly standardized, specified by the state as a definite quantity of each commodity, and subject to no complicating effort to respect differing tastes. In the absence of incentives which might increase output, a tradition of Spartan want-limitation is cultivated. Thus a society is achieved which is in some sense successful: the people lead the lives of well-tended cattle.

Docility, not verve, marked this population. Cultural attainments were, as one might expect, essentially restricted to the sphere of political usefulness: mainly they consisted of fine paved roads for army and administrators and a remarkable set of statistics needed by the state. The latter were kept by primitive, albeit ingenious, devices, for writing was never invented. In this utopia art rose to no significant level, technology was poor, and science, including astronomy, made no real beginning.

We might think of Dr. Hoff's book as a companion piece. Men in their hope of betterment have often turned to the thought of socialism. Yet much of the Inca picture is scarcely what most of them would hope for. Might not the Incas have done better? What principles are available for guiding the use of resources in a socialist society? Unfortunately, the founders of socialism-- notably and anomalously Marx, the founder of "scientific" socialism were extremely negligent on this score. Where one might expect a careful delineation of necessary economic functions and exactly how their performance could be assured, the answers were in fact taken for granted without discussion. The burden was left upon critics to point out the difficulties.

A number of economists took up the challenge. In 1938 Dr. Hoff, building on the basis laid by them, wrote *Economic Calculation in the Socialist Society*, a most painstaking work in the best scholarly tradition. Since it deals with the fundamental problems of political economy, it is not a book for light reading; but it is rewarding for all students of social economic organization, and should be especially so for those hoping for a good society under socialism.

Although the subject is fraught with prejudice, Dr. Hoff's treatment is distinctly not. As he canvasses the problems of economic calculation under the various different arrangements which men have envisaged under the name of socialism, the impression is that of a man earnestly seeking and open to conviction. Yet he does not avoid a conclusion. It is that, at least provided the government aims to give the people what they want, success in guiding resources is, if not inconceivable, so difficult as to be beyond the powers of human beings. One of the most interesting observations that emerge is the strong tendency for competent Socialist scholars of economics to offer solutions consisting of a set of devices importantly indigenous to a capitalist system. Oskar Lange and A. P. Lerner are notable examples. Lerner is cited as waxing lyrical over the functioning of markets, and no less a Socialist than Leon Trotsky is quoted as saying, "Economic accounting is unthinkable without market relations." Anyone aware of the considerations involved could never have been amazed to see the Union of Soviet Socialist Republics returning to the use of money--originally an abomination--paying wages according to productivity (not need) and of about the same inequality as those in the United States, and permitting peasants to profit by privately cultivating tiny plots which now supply an astonishing portion of the country's food; but he might well be puzzled to see how uncritically Americans

permit the high rate of growth experienced during and since these changes to be chalked up to the credit of "Socialism."

The third book here offered, *Man, Economy, and State*, complements the others in that it presents an analysis of the economic system that is the opposite of socialism-the free market economy. This two-volume work is the first completely new treatise in the tradition of the Austrian school of economics since Mises' *Human Action* in 1949. As such, it will be essential in any moderately good library. It derives further significance from the fact that it is from the pen of a fairly young economist whose thinking has been formed in recent years. Dr. Rothbard exemplifies the relatively unheralded existence in the United States of a sizeable group of followers of the Austrian tradition who, although badly outnumbered, are notable for their brightness and intellectual sophistication and who tend to have an impact on those who listen to them as they expound a liberalism that stresses individual liberty.

This work is written to be understandable to the intelligent layman in the same sense as, for example, the work of Alfred Marshall. In contrast to typical books on economics, it makes plain its grounds, arguments, and conclusions and thus meets a frequent complaint of students by giving them something they can "get their teeth in." That not all will like what they get their teeth in goes without saying. Indeed, it is a special merit of the book that so many beliefs (especially those on the virtue of state economic intervention) currently absorbed by osmosis rather than acquired by disciplined thought are cogently opposed. Teachers dedicated to the tradition of liberal education should welcome such an aid to exposing students to that experience which they so patently need and enjoy: questioning their assumptions-with the outcome conceivably of strengthening their beliefs, perhaps of changing some of them.

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