Two Opposing Economic-Literary Critiques of Socialism: George Orwell Versus Eugen Richter and Henry Hazlitt

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Two Opposing Economic-Literary Critiques of Socialism: George Orwell Versus Eugen Richter and Henry Hazlitt

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Abstract: Orwell's famous fictions, *Animal Farm* and *Nineteen Eighty-Four* criticized totalitarian forms of socialism from a Public Choice perspective, assuming that socialism would work as an economic system as long as the proper political institutions were in place to curb the potential for the abuse of power. This is contrasted with two novels by others who took the opposite approach: Richter's *Pictures of the Socialistic Future* and Hazlitt's *Time Will Run Back*. These two assumed that the political implementation of socialism would be perfect but that socialism would necessarily turn totalitarian because of the problem of economic calculation. These novels assumed away the Public Choice problem of institutions and the abuse of power and focused on the political implications of socialism as a purely economic system. Contrasting these two sets of novels shows how the Austrian and Public Choice schools criticize socialism in two entirely different ways.

Keywords: Orwell, Richter, Hazlitt, democratic socialism, totalitarianism

JEL Categories: B12, B24, B25, B31, B51, B53, D72, P20, P30, Z11

Perhaps George Orwell's two fictions, *Animal Farm* (1945) and *Nineteen Eighty-Four* (1949) need no introduction, for they are sometimes assigned as the quintessential refutations of socialism and

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communism. But in fact, Orwell was an avowed socialist and his two famous fictions could not possibly have been intended to controvert socialism. Several recent works have attempted to rehabilitate Orwell's status as a socialist and reexamine his famous fictions accordingly.\(^1\) Orwell could not have meant to condemn socialism *per se*, but only non-democratic totalitarian forms thereof. He did not argue that socialism *per se* would necessarily fail as an economic system. Instead, his point was that socialism would succeed only if political institutions were crafted so as to ensure that those in power were suitably incentivized to behave as they ought. His concerns were similar to those of James Madison, who saw that government officials cannot be naively trusted as if they were angels, but that the political system must be crafted so as to direct them where they ought to go. Otherwise, they would abuse their power and establish a despotic oligarchy. Orwell believed that a democratic socialism was the solution to the totalitarian potential of socialism. Orwell therefore essentially presaged modern Public Choice.

Orwell's message was invaluable especially to fellow socialists who naively assumed that once socialism was implemented in any form whatsoever, the right people would automatically rise to the top. In apprehending quite early the nature of the Soviet Union, whereas other socialists were either starry-eyed dupes or bigoted apologists, Orwell was both critically observant and brutally honest.

But to appreciate Orwell's criticism of socialism, one should look at a totally different criticism of socialism, to see what Orwell did not say. Taking the Public Choice approach, Orwell assumed that socialism would work if only the political institutional protected against the abuse of power. By contrast, others made the opposite assumption, assuming away the entire Public Choice problem and

\(^1\) Makovi (2015); Roback (1985); Crothers (1994); White (2008); Newsinger (1999); Harrington (1982); Letemendia (1992); Peters (1995); Farrant (2015). The author thanks Christopher Fleming, a doctoral candidate in economics at George Mason University for the reference to that undeservedly obscure essay by Crothers.
proposing (if only for the sake of argument) that there would be no problem of abuse of power at all. They tried to show that even ignoring the possibility for the abuse of power, socialism would still necessarily turn totalitarian anyway due to the inherent economic logic of the system. In this essay, this opposing approach will be examined in detail. In particular, we will study the anti-socialist dystopian fictions of Eugen Richter and Henry Hazlitt, which argued that the economic logic of socialism meant it would necessarily turns totalitarian and tyrannical even assuming the government officials have the best of intentions and never abuse their power. Therefore, the fictions of Richter and Hazlitt may be understood as the mirror images of Orwell's famous fictions. More generally, this essay will illustrate how the Public Choice criticism of socialism's political institutions is the polar opposite of the Austrian criticism of the problem of economic calculation under socialism. Once the argument is complete, we will suggest a practical classroom exercise involving Socratic dialogue, as a feasible means of bringing students to realize this paper's thesis on their own.

I. Orwell as a Public Choice Democratic Socialist

First, we might briefly acquaint ourselves with the nature of Orwell's Public Choice criticism of totalitarian socialism and his advocacy for democratic socialism.\(^2\) Orwell stated in his “Review of Communism and Man by F. J. Sheed” (1939a: 113) that

> It is obvious that any economic system would work equitably if men could be trusted to behave themselves but long experience has shown that in matters of property only a tiny minority of men will behave any better than they are compelled to do.

Thus, Orwell did not criticize socialism as an economic system; instead he criticized only its political implementation. His concern was the same as James Madison's, \textit{viz.} whether the political institutions

\(^2\) The section is only the barest summary of Makovi (2015). The neglected essay by Crothers (1994) should be read carefully as well. Makovi (2015) neglects however, to discuss Reilly (1986), Fergenson (1990), and Letemendia (1992) – an oversight which this essay will correct shortly.
would provide such incentive structures as would prevent the abuse of power. Orwell thought that
democracy was the solution to this Public Choice problem, as he stated in his “Review of *Russia Under
Soviet Rule* by N. de Basily” (1939b: 111):

> The essential act is the rejection of democracy - that is, of the underlying values of
democracy; once you have decided upon that, Stalin - or at any rate something *like*
Stalin - is already on the way. (emphasis in original)

In other words, Orwell thought democracy alone was sufficient to solve the Public Choice problem of
the abuse of power and thereby prevent the emergence of totalitarianism.3 Once that was done, the
political problems of socialism would be solved and there would be no purely economic problems left
to be concerned with.

In addition, Orwell thought that classical liberal ideology was a necessary accompaniment to
proper democratic political institutions. Orwell argued that there was something in the classical-liberal
English national culture and in Protestantism that served to limit government and promote individual
freedom (Orwell 1941a, 1944b, 1946b; Newsinger 1999: 72-77). Whereas Public Choice economists
often neglect the role of ideology in the growth of government and in the use of political power merely
because ideology cannot be quantitatively analyzed,4 Orwell realized that ideology and national culture
were perhaps as important as political institutions.5

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3 But for an argument that democratic socialism is incoherent and would necessarily fail even without
the abuse of power, see Makovi (unpublished).

4 Richard Ebeling said this to me in conversation. On wrongly limiting one's studies to quantitative
data even when non-quantitative data are relevant, see Hayek (1974). On the role of ideology in
growth of government and its neglect by quantitatively-minded economists, see Higgs (1987).

5 Orwell also realized that perhaps capitalistic economic liberty played a crucial role in promoting
English freedom, a fact that must have discomfited him as a socialist. See Orwell (1941b, c) and
The plot of *Nineteen Eighty-Four* (Orwell 1949) is of course far more intricate and involved than that of *Animal Farm* (Orwell 1946), and there is not enough space here to demonstrate that Public Choice concerns underlie the plot of the former. But it is easy enough to show how Public Choice is relevant to *Animal Farm*. Quite simply, the revolution failed because the pigs abused their power and betrayed the revolution (Reilly 1986: 77). It was obviously a failure of politicians and political institutions, not of socialism as an economic system. Indeed, Orwell tells us about the period before the pigs began their betrayal that (Orwell 1945a:16), “With the worthless parasitical human beings gone, there was more for everyone to eat. There was more leisure too, inexperienced though the animals were.” Socialism was really working successfully and the animals were actually better off than before (cf. Reilly 1986: 77). Apparently, if the eponymous Animal Farm had been governed democratically, the revolution never would have been betrayed – at least, not according to Orwell – and the story would have ended very differently, with the socialist Animal Farm as the most prosperous farm and with the highest standard of living for all workers.

Therefore, according to Patrick Reilly (1986)'s reading of *Animal Farm*, utopian political dreams are dashed against the rocks of human (animal) nature. “Utopia slights nature: everything is declared possible. … Always in Orwell a sense of the real checks utopian aspirations” (Reilly 1986: 74). Political revolution

must take account not only of external factors … but also of the internal dispositions of the animals themselves. … Far more important than the external differences between Jones and the animals are the ominous internal similarities: the shared irresponsibility, selfishness and rapacity, the threat to utopia from within which will survive the ejection of Jones or the killing of the Romanovs. (Reilly 1986: 73.)

Similarly, Laraine Fergenson (1990) finds among the lessons of *Animal Farm* that “any revolution … could be corrupted by the less desirable aspects of human nature” (Fergenson 1990: 110) and that “[p]ower corrupts” (Fergenson 1990: 113). In other words, *Animal Farm*, like Public Choice, assumes
behavioral and psychological equivalence between private actors in the marketplace and political officials. Elevating someone to power is no guarantee that he will become any more public-spirited than before. “Democracy cannot overrule nature” (Reilly 1986: 75).

However, Reilly (1986) and Fergenson (1990) argue that contrary to Orwell's own intentions as a democratic socialist revolutionary, Animal Farm demonstrates that any revolution is inexorably doomed to fail (cf. Smyer 1971). Against this pessimistic interpretation, V. C. Letemendia comes as a corrective, showing from Orwell's own statements about Animal Farm that the message is that revolution was doomed to failure only when the animals acquiesced in the pigs' grab for oligarchical power. But if the animals had instituted a democratic revolution, or if they had redistributed power democratically at the first sign of the pigs' malfeasance (when they took the apples and milk for themselves), Orwell said, then the revolution of Animal Farm would have been a success. Letemendia (1992: 127) quotes a letter Orwell wrote to Dwight Macdonald explaining the message of Animal Farm: such a revolution as occurred “can” – in Orwell's words – only lead to a change of masters” but “when the masses are alert and know how to chuck out their leaders as soon as the latter have done their job,” and – continued Orwell – “[i]f the other animals had had the sense to put their foot down then, it would have been all right.” In other words, Orwell was arguing that a democratic form of socialism would have prevented the abuse of power by the ruling pigs.6

Furthermore, Letemendia notes (1992: 124) that Orwell was “identif[y]ing a flaw in the Marxian theory of revolution itself. … By revealing the divisions within the animal ranks, Orwell is cautioning his reader to question the animal view of the class struggle.” Old Major had only diagnosed the class struggle between animal and man, but he had neglected the class struggle among animals. The revolution merely created a new political class as the pigs replaced the ousted humans. Cf. Reilly (1986: 75). It seems Orwell had rediscovered the old French Liberal theory of class-conflict which – predating Marx – had posited a class-conflict between the rulers and the ruled; see
It is significant that when T. S. Eliot recommended against the publication of Animal Farm on behalf of the publisher Faber & Faber, among Eliot's objections was that “what was needed (someone might argue) was not more communism but more public-spirited pigs” (Crick 1980: 38; Reilly 1986: 80). Such an attitude is the very opposite of Public Choice. As Patrick Reilly astutely notes (1986: 80), “Within the terms of Animal Farm this is about as sensible as asking for god-fearing atheists.” What Orwell wanted was not to rely on utopian, naïve hopes of better human (pig) nature, but to craft robust political institutions that would produce good outcomes despite flaws in human nature. Just as revealing as Eliot's misunderstanding of Animal Farm, is the question Daniel Bell (1949: 265) asked after reading Nineteen Eighty-Four: “What are the safeguards and the checks? Tradition? Intelligent citizenship? Democratic awareness? Participation? Are these enough when power is at stake?” From reading Orwell, it seems, Bell learned to ask the quintessential question of Public Choice.

But as we shall shortly see, Richter and Hazlitt assumed away the Public Choice problem of incentives and intentions, and argued that even if the socialist planners were wholly public-spirited, tyranny would still necessarily result. However, Richter's and Hazlitt's argument rested on certain economic premises - Classical School economics in the case of Richter and Austrian School economics in the case of Hazlitt (following Mises and Hayek) - which a socialist would reject out-of-hand, as Orwell did in his “Review of The Road to Serfdom by F. A. Hayek” (1944a).  

II. Eugen Richter's Pictures of the Socialistic Future


Nineteenth-century German classical liberal (libertarian) parliamentarian Eugen Richter wrote his 1891 dystopian fiction, *Pictures of the Socialistic Future* (Richter 2010), to show how socialism would fail even when its planners had the best of intentions.\(^8\) Nowhere in the story is the government shown to have any ill-intentions. Everything is done in complete sincerity. Nevertheless, a totalitarian tyranny results, due to the logic of socialism as an economic system. The novel is thus an exercise in *reductio ad absurdum*. For example, the narrator's son Franz and his fiancée are forced to indefinitely delay their upcoming marriage because the government has assigned them to live and work in different cities (Richter 2010: 21). After all, if the government is to plan production, it must assign employment to everyone, and the government's plans for economic efficiency cannot be spoiled by a marriage that might after all be dissolved by divorce at any moment anyway (Richter 2010: 22). And many people had to be assigned labor that was contemptible and undesirable to them because, after all, everyone had requested only the most pleasant and enjoyable work. Not everyone can be a forest-keeper; somebody has to clean the sewers (Richter 2010: 24).\(^9\) Most distressingly, the government finally had to ban all emigration. For reasons the government's officials honestly could not understand, many people had been attempting to leave the country, especially the most skilled and most well-educated. But it could not allow the socialistic system to be spoiled by the emigration of the very best and most valuable

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\(^8\) Mention of Richter is rare. Knoll (1991: 37), citing Ritter (1960) and Plank (1981: 211), says only that Richter's novel was a parody of Bellamy's *Looking Backward* (1888). Neither Knoll nor Plank even cite the title of Richter's novel. (I do not know German so I could not examine Ritter.) The brief mention of Richter by Creveld (1999: 220) is almost as laconic. The only sustained, detailed discussion of Richter is in Raico (1990).

\(^9\) Cotton pointed out that in More's *Utopia* (1516), people rotate in an out of more desirable and less desirable occupations, and the truly onerous work is done by convicts and saints; apparently More had realized the allocational dilemma created by the abolition of differential wages.
people. So finally, the government forbade emigration, posting armed troops along every border (Richter 2010: 57-59). And while the socialist government was in fact democratic, it had accidentally and unintentionally restricted the freedom of speech. For all printing presses were state-property, and the state was responsible for publishing all materials, both political and not. When election-time began approaching, people realized that there were no ration coupons for purchasing space to run campaign ads (Richter 2010: 93). It had simply never occurred to the government's officials that ration coupons needed to exist to purchase not only food and housing but also political ads. Obviously, it was impossible to allow everybody to run an advertisement; there wouldn't be enough newspapers in the world. But if advertising space is limited, and the government owns all the printing presses, how is it to decide who deserves to run an ad? There was no deliberate, orchestrated censorship, but in reality, censorship became de facto simply because the government alone owned all the means of communication. By the end of the book, Germany has become a totalitarian dictatorship, not because anybody has abused his power, but on the contrary, because socialism has been implemented faithfully and consistently. The more sincere and well-intentioned the public officials were, the more totalitarian and despotic the regime became. The government was still democratic, and everything that the government had done had been in sincere pursuit of authentic socialism. As Ralph Raico says of Richter's novel,

 Sometimes the work even verges on what at first seems absurd, especially in connection with the relations of social equality that will supposedly obtain under socialism, e.g., the new socialist reich chancellor must shine his own boots and clean his own clothes, in Richter's account. The explanation for this, however, is that Richter took the egalitarian promises of the socialists too literally, too seriously. He lacked any inkling of Marxism's drive to bring to power a new class of privileged higher-echelon state functionaries. (Raico 1990: 11)

I would interpret Richter more charitably. It seems to me that Richter probably wished to concede the benefit of the doubt to the socialists. He did not wish to make the sort of argument that Orwell later
would, that the public officials of a socialist government would be liable to abuse their power. He wanted to show that even without such a Public Choice assumption, socialism would necessarily be tyrannical. In fact, the more faithfully and sincerely the government put socialism into effect, the more tyrannical it would become. A lax and corrupt government might have allowed the economic plan to be spoiled for the sake of allowing husband and wife to stay together. But a thoroughgoing socialist could not allow this. The government had made a plan for the benefit of all people, and it could not let petty and parochially private concerns like romance spoil the welfare of all. The more sincere the socialist regime, the more liable it was to become what Isabel Paterson called the “The Humanitarian With the Guillotine” (Paterson 1943: 235-250). Thus, Richter's assumption was precisely the opposite of Orwell's: Orwell assumed socialism would work if the political institutions prevented the abuse of power, whereas Richter argued that socialism would necessarily fail even under the assumption that the socialistic government were perfectly democratic and that all its officials sincere and trustworthy.

III. Henry Hazlitt's *Time Will Run Back*  

The case is similar in Henry Hazlitt's reverse-dystopia, *Time Will Run Back* (1966). The entire world is governed by one single socialist super-state but things have not gone as the socialists planned. The entire world is depicted as living in poverty under political oppression and nobody can figure out

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10 I call it a “reverse-dystopia” because the book begins as a dystopia until “time runs back” and capitalism is rediscovered. Citations of Hazlitt are even rarer than mentions of Richter, and neither Sargent (1981) nor anybody else seem to mention this novel. But Hazlitt clearly knew of Orwell: Hazlitt gives a litany of economists who were his influences (Hazlitt 1966: vi) and he claims that the similarity of his novel to *Nineteen-Eighty Four* (Orwell 1949), Zamiatin's *We* (1921), and Huxley's *Brave New World* (1932) was owed to the fact that they were all “plagiarizing from the actual nightmare created by Lenin, Hitler and Stalin” (Hazlitt 1966: vi-vii).
why. The socialist dictator, Stalenin, confides to his son, Peter Uldanov, that he had to send his own wife, Peter's mother, into exile because she had accused him of betraying the revolution. Stalenin says that he sincerely was implementing Marxist-Leninism as best he knew how, and that he had hoped before her death to finally produce the paradise which had been promised (Hazlitt 1966: 26, 31).11

When Peter asks another Party member why there had not been any technological progress in the entire century since the revolution, the other member confesses, “That, Comrade Uldanov, is a question I have never been able to answer” (Hazlitt 1966: 63). Later, another party member pleads that he cannot understand why all the workers are so lazy. They must be compelled to work with force and threats because without such incentives, the workers refuse to do much of anything (Hazlitt 1966: 87). The Party member is sincerely dumbfounded by the people's intransigence and stubborn refusal to work. The Party is truly ingenuous, and cannot understand why the socialist system is not working. And like Richter's, Hazlitt's novel tries to show that the tyranny is the consequence of the logic of socialism as an economic system, and has nothing to do with any ill-intentions or abuse of power.

For example, when Peter suggests eliminating every law except those forbidding murder and theft and the like, fellow party member Adams points out that with all wages equal, it is impossible to get some people to do the more unpleasant tasks without compelling them with violence (Hazlitt 1966: 116, 119). The laws cannot be confined to punishing self-evidently antisocial acts of aggression or violence such as murder and theft. Instead, the majority of the law comes to be constituted by sanctions compelling obedience to the central plan even when violation of the plan is not self-evidently criminal or antisocial. Not even the slightest deviation from the plan can be tolerated if the central-plan is to be effective. By the logical necessities of the system, the law comes to focus less and less on punishing

11 Of course, Stalenin could be lying. But he was speaking to his own son, whom he later installed into power as his successor, so it seems more likely that Stalenin was telling the truth. The simplest interpretation is that Stalenin really was trying his best to implement the true Marxist utopia.
obviously immoral, antisocial trespasses by one person against another. Instead, the law more and more imposes sanctions to compel obedience to the economic plan. In legal terms, the acts prohibited by law tend to be less often *malum in se* (“wrong in itself”) and more often *malum prohibitum* (“wrong because prohibited”).\(^{12}\) For example, there cannot be freedom to choose one's own occupation in a socialist system if the government is to plan all production, for the government must be able to ensure that all the workers are engaged in precisely the industries that the government has predetermined. The law must sanction those who refuse to work in the assigned occupation with nearly the same priority with which it punishes murder and theft. And even when Peter permitted complete freedom of speech, the people kept silent and did not use their new freedom, because the state was their sole employer, and they were still afraid to say anything that might upset it (Hazlitt 1966: 128). If something they said got them fired, they had nowhere else to turn for a job. And because all means of publication and communication were state-owned, none of their managers were courageous enough to publish dissent, lest they lose their jobs too (Hazlitt 1966: 133).

Finally, Peter says to Adams,

> You are forcing me to admit that the reign of slavery and terror imposed by my father and Bolshekov is not an accident, not some monstrous perversion of the socialist ideal, but merely *the logical and inevitable outcome of the socialist ideal!* You are forcing me to admit that complete socialism means complete deprivation of individual liberty and an absolute government dictatorship. (Hazlitt 1966: 145f.; emphasis in original)

Thus Hazlitt, like Richter, assumed that the government is altruistic and sincerely wishes to implement only the truest, most authentic socialism. And yet tyranny and despotism result as the inexorable consequence of the logic of the socialist economic system. Freedom and material prosperity do not return to the world until Peter and Adams accidentally reinvent capitalism. Every non-Marxist book had previously been systematically wiped from existence by the worldwide socialist regime, and so roughly half the novel is composed of detailed Socratic dialogues between Peter and Adams as they

\(^{12}\) I thank Arthur Sapper for pointing this out.
slowly rediscover for themselves the basic principles of economics. It is only when the two protagonists complete their rediscovery of economics that political liberty and material prosperity make themselves known together in the world again.\textsuperscript{13} Hence the novel's full title, \textit{Time Will Run Back: A Novel about the Discovery of Capitalism}.

So like Richter's novel, Hazlitt's is the mirror-image of Orwell's. Whereas Orwell presaged Public Choice and thought any economic system would work if only the political institutions could prevent the abuse of power, Richter and Hazlitt assumed the abuse of power away and strove to demonstrate that even so, socialism would necessarily turn totalitarian and despotic.

**IV. The Problem of Economic Calculation**

That this was Hazlitt's intention, is corroborated when we consider the source of Hazlitt's inspiration. According to Hazlitt, the inspiration for his novel was “several paragraphs in Ludwig von Mises'\textsuperscript{sic} Socialism” (Hazlitt 1966: p. vi), and he says that his own novel is about “the problem of economic calculation” (Hazlitt 1966: p. viii). This gives us a key to Hazlitt's intent. The essence of Mises's position in the so-called “socialist calculation debate” (which Mises inaugurated) was this: even if the socialist government were perfectly public-spirited and well-intentioned, socialism would still utterly fail because the government would have no idea what to order the people to do. The government would have the good intention to issue only orders for the genuine welfare of the people, and yet it would have no rational way to know which orders it ought to issue. The government would be operating blindly in the dark, despite the best of intentions. As Murray N. Rothbard notes,

\begin{quote}
Before Ludwig von Mises raised the calculation problem in his celebrated article in 1920, everyone, socialists and non-socialists alike, had long realized that socialism suffered from an incentive problem. . . . The traditional socialist answer held that the
\end{quote}

\textsuperscript{13} These dialogues are so detailed and thorough that insofar as one agrees with the Austrian School views of Hazlitt, the novel could actually be used as an economics textbook.
socialist society would transform human nature, would purge it of selfishness, and
remold it to create a New Socialist Man. That new man would be devoid of any selfish,
or indeed any self-determined, goals. . . . But the uniqueness and the crucial importance
of Mises's challenge to socialism is that it was totally unrelated to the well-known
incentive problem. Mises in effect said: All right, suppose that the socialists have been
able to create a mighty army of citizens all eager to do the bidding of their masters, the
socialist planners. What exactly would those planners tell this army to do? . . . Mises
demonstrated that, in any economy more complex than the Crusoe or primitive family
level, the socialist planning board would simply not know what to do, or how to answer
any of these vital questions. . . . [T]he planning board would not be able to plan, or to
make any sort of rational economic decisions. Its decisions would necessarily be
completely arbitrary and chaotic, and therefore the existence of a socialist planned
economy is literally “impossible” (to use a term long ridiculed by Mises's critics).
(Rothbard 1991: 51-3)

Thus, Mises never impugned the motives of the socialist planners, nor did he ever suggest that any of
them might abuse their power. His entire argument assumed that the socialist planners were completely
sincere and public-spirited. And yet their system was destined to fail by its own logic. The best of
intentions cannot make an illogical system function as intended. Mises's argument was thus the
opposite of that of Public Choice. And as Hazlitt explicitly declared that he was inspired by Mises to
write his novel, it is appropriate that he appears to have made the same assumptions in his novel as
Mises had in his technical economic writings.

The difference between Hazlitt's and Mises's approaches is that while they made the same
assumption of altruism and trustworthiness by the government, Mises confined himself to showing that
socialism would lead to anarchy of production, a complete and utter breakdown of any semblance of an
economy. Hazlitt, by contrast, went beyond Mises and argued that the same problem of economic
calculation under socialism meant that any attempt to plan the economy in a socialist manner would
inevitably result in totalitarian tyranny and the denial of freedom regardless of the good intentions of
the planners, without any abuse of power. David Ramsay Steele too attempted a similar demonstration,
using the same Misesian problem of economic calculation to show not only that socialism could not
function economically – that it could not provide material sufficiency - but that it would necessarily be
tyrannical as well. According to Steele (1992: 316):

Nothing could be further from the aspirations of Marx and Engels than an oppressive state or a meddlesome bureaucracy, but their commitment to society-wide comprehensive industrial planning requires that the communist administration be an omniscient state. This is not apparent to Marx because of his unawareness of the problem of economic calculation.

For Marx, “Such an organizational form” allowing political liberty can be made to seem compatible with the Marxian insistence on “planned production for use” by assuming that the task of planning is child's play, and this in turn must require the assumption that most allocative decisions are obvious and undebatable. (Steele 1992: 316f.)

And again,

One of the reasons why the early Marxists were able to combine (in their imaginations) a single great industrial plan with a loosely federated non-authoritative structure is that vast areas of decision-making which we can see would have to be put into the plan and translated into instructions to subordinates, the Marxists saw as being self-evident and hardly requiring any administrative attention. (Steele 1992: 262)

Furthermore,

Marx . . . doesn't envisage the trappings of central-planning, no matter how obvious these may seem to us. With his blind spot about the role of the market, Marx underestimates the scale of the task facing the communist administration. (Steele 1992: 270)

Thus, socialism devolves into tyranny – according to these economists – not because anyone abuses their power, but because of the inexorable economic logic of the system. It is impossible to centrally plan an economy without micromanaging individuals' lives. Even the English socialist Maurice Dobb realized this dilemma and despaired of the possibility of maintaining freedom under socialism, saying, “Either planning means overriding the autonomy of separate decisions, or it apparently means nothing at all” (quoted in Hoff 1981: 267).

In addition, there is yet another possible economic explanation for the rise of totalitarianism.

14 For this reason, democratic socialism is incoherent; see Makovi (unpublished).
This explanation was advanced by neither Richter nor Hazlitt, but instead by Mises (1985, esp. chapter 3, parts 4-10) and by Gustav Cassel (1934). This Mises-Cassel argument is compatible with the Richter-Hazlitt explanation, however. Mises and Cassel focus on international commerce, arguing that military aggression is a logical consequence of the socialist pursuit of autarky (economic self-sufficiency). Foreign trade is a market-based activity antithetical to the ideology and values of socialism and therefore ideologically anathema to the socialist state, which is necessarily autarkic (Mises 1985, Osterfeld 1992: 7). Furthermore, foreign trade reduces national sovereignty by granting economic power to the foreign trading partner (Mises 1985, Osterfeld 1992: 181f.). Any changes in foreign markets threaten to disrupt the intricate domestic central plan of the socialist state. Therefore, under thoroughgoing socialism, foreign trade must be limited if not entirely precluded so that the state can plan with confidence. But if imports are banned, then the state must conquer those territories that possess desired resources (Mises 1985, Cassel 1934). Hence, the Nazi pursuit of Lebensraum, “living space” to operate. Hence, F. A. Hayek argued in the Road to Serfdom (2007) that German National Socialism was not a corruption or departure from socialism, but instead, its logical conclusion, which the Nazis had simply taken it to. According to Hayek, the Nazis had simply been more willing than the German Social Democrats to use whatever means necessary to implement socialism, including

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15 Even mere economic interventionism in domestic markets - which falls short of socialism - requires restrictionist trade barriers to prevent foreign competition from spoiling the plans of the government. For example, if a state wishes to boost domestic wages in a given industry by unionism or minimum wages, then it must establish trade barriers to keep foreign nations from undercutting those wages by offering cheaper goods.

16 Hints at a similar analysis are offered by John Jewkes (1968: 111, 218, 223, 234, 236).

17 Schivelbusch (2006) instead shows the many parallels between German National-Socialism and Franklin D. Roosevelt's New Deal, but this still tends to confirm Nazism's socialist bona fides.
warfare (Hayek 2007: 146, 160, 182). We can summarize the Mises-Cassel argument with Manchester School's observation that “Where goods do not cross borders, armies will.” Restriction of foreign trade leads to war, and Nazi/Soviet military expansionism was merely a logical requirement of socialist economic policy. Of course, domestic totalitarianism is more than military expansionism, so we still need Richter and Hazlitt to explain why socialism leads to domestic totalitarianism. But Mises and Cassel contribute to the Richter-Hazlitt argument that the behavior of totalitarian states was dictated by the rational pursuit of economic incentives, not irrational, depraved sadism.

In addition, Richter's and Hazlitt's claim that socialism requires conscription of labor deserves particular comment. Their claim may appear outlandish but in fact, in 1947, the British Labour government renewed its wartime requisitioning powers by enacting the Control of Engagements Order which empowered the government to conscript labor for essential industries. As Hayek noted in his 1956 preface to the American edition of the Road to Serfdom (Hayek 2007: 47), “There is no better illustration of the manner in which the inherent logic of their policies drove an unwilling socialist government into the kind of coercion it disliked.” Incredibly, even Orwell himself seems to have eventually realized that socialism necessarily requires forced labor. What is distressing, however, is that Orwell did not seem to make any serious moral objection to this. In Orwell's final edition of “London Letters” in the Partisan Review (11:3, summer 1946), Orwell argued (to quote Newsinger 1999: 139; cf. Farrant 2015: 161),

that in conditions of full employment if wages are evened out, workers will drift away

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18 Hayek approvingly cites both Cassel and Mises (Hayek 2007: 239f.).

19 In a 1994 preface to the Road to Serfdom, Milton Friedman agreed that this law confirmed Hayek (see Hayek 2007: 261). John Jewkes (1968: 89f., 191, 193) also called attention to this law. For a detailed summary and analysis of this law, see Farrant (2015). For general discussion of why socialism logically requires labor-conscription, see Makovi (unpublished).
from the more disagreeable jobs . . . Quite incredibly, he [Orwell] argued that socialists had to face up to the fact that “you had to make use of forced labour for the dirtier kinds of work.”

Not long before, in July 1945, Orwell had similarly stated in the *Partisan Review* that Britain “will be obliged to both coerce the miners” and that “post-war reconstruction . . . [would require] 'direction' of labour over a long period” (quoted in Farrant 2015: 176 n. 43). It is difficult to determine how democratic socialism could successfully prevent socialism from turning tyrannical, if any form of socialism requires compulsory labor (Makovi, unpublished). But the important point for us now is that when Richter and Hazlitt predicted conscription of labor under socialism, they were not making fantastic claims outside the realm of reason.

Orwell does not appear to have known much economics, and whatever he did know inclined him away from, not towards free-market capitalism (Makovi 2015; Roback 1985). So unlike Richter, Hazlitt, and Steele, he could not have predicted for *economic* reasons that socialism would be tyrannical. Indeed, in his column “As I Please 63” in 1946, Orwell explicitly stated of the totalitarians that, “It is not easy to find a direct economic explanation of the behaviour of the people who now rule the world” (Orwell 1946a: 1137). In *Nineteen Eighty-Four* (Orwell 1949), Winston struggles with this question, saying, “I understand HOW: I do not understand WHY” (quoted in Howe 1956: 331; Deutscher 1956: 129; cf. Spender 1965: 70). While Winston is being tortured by O'Brien, Winston offers the answer of Dostoyevski's Grand Inquisitor and Zamiatin's Benefactor in *We*: that totalitarian despots abuse their power benevolently for their victims' good, paternally forcing their victims to exchange freedom for security (Howe 1956: 330f.; Howe 1983: 101; Rahv 1949: 17f.; Trilling 1949: 25; Patai 1984: 48). Winston suggests to O'Brien

That the Party did not seek power for its own ends, but only for the good of the majority. That it sought power because men in the mass were frail, cowardly creatures who could not endure liberty or face the truth, and must be ruled over and systematically deceived by others stronger than themselves. . . . That the choice for mankind lay between
freedom and happiness, and that, for the great bulk of mankind, happiness was better. That the Party was the eternal guardian of the weak, a dedicated sect doing evil that good might come, sacrificing its own happiness to that of others. (quoted in Howe 1983: 101 and Spender 1965: 70)

But O'Brien dismisses Winston's explanation as ridiculous, chastising him and explaining,

The Party seeks power entirely for its own sake. We are not interested in the good of the others; we are interested solely in power. . . . Power is not a means, it is an end. One does not establish a dictatorship in order to safeguard a revolution; one makes the revolution in order to establish the dictatorship. The object of persecution is persecution. The object of terrorism is terrorism. The object of oppression is oppression. The object of torture is torture. The object of murder is murder. The object of power is power. Now do you begin to understand me? (quoted in Howe 1956: 330; Howe 1983: 102; Rahv 1949: 17; Deutscher 1956: 125; Calder 1968: 148; Spender 1965: 70.)

Orwell could not understand the totalitarian impulse as anything but a raw lust for power for its own sake.

Orwell's diagnosis is perhaps rather dubious, however. It may be true, as Lord Acton said, that power corrupts, and absolute power absolutely. But except in the case of sado-masochists and psychopaths, surely political power is more often sought in an economically rational fashion as a means to an end rather than as an end unto itself (Burgess 1978: 43). Hence, Isaac Deutscher (1956) argues that O'Brien's motive in Nineteen Eighty-Four is absurd, and he criticizes Orwell for degenerating to adopting a “mysticism of cruelty.” George Kateb (1966: 74f., 87) agrees with Deutscher that O'Brien's motive cannot be taken seriously as realistic. On the other hand, Philip Rahv (1949) and Isaac Spender (1965: 70) defend Orwell's exposition of O'Brien's motive as reasonable, and Richard Epstein (2002: 1003-1007) believes Orwell successfully penetrated the psychology of a deranged dictator. Alternately, Kateb (1966: 84) and Anthony Burgess (1978 45) argue that Nineteen Eighty-Four is a Swiftian satire that exaggerates one aspect of human psychology. Similarly, Irving Howe (1957: 324) and Michael Harrington (1982: 430f.) compare the power-motive in Nineteen Eighty-Four to an abstract, ideal physics model that abstracts away several variables (e.g. air-resistance) to focus on one (e.g. gravity).
Indeed, all anti-utopian fiction must exaggerate (Howe 1962). Indeed, Orwell himself (1949) explicitly refers to *Nineteen Eighty-Four* as a satire. Kateb (1966: 85, 87) and Alex Zwerdling (1971: 91, 101) suggest Orwell's purpose in satirizing the power-motive: Orwell needed to rouse the emotions and passions of his readers. The Soviet myth which had captured the hearts of so many, could be countered only by an equally powerful myth. Orwell had to capture the imaginations of his readers even if this meant taking some artistic license. The enduring presence of *Nineteen Eighty-Four* in the popular imagination today and its constant mention on the lips of those wary of “big government” today, suggests that Orwell succeeded.

But even if we accept O'Brien's sadistic and depraved pursuit of absolute power for its own sake as being sufficiently true on some level, the fact remains that Orwell could not offer any logical explanation of the pursuit of power as an economically rational pursuit of a means to an end. Orwell could only conceive of the pursuit of power as an end unto itself. By contrast, Richter and Hazlitt had striven to produce precisely an economic explanation of totalitarianism and tyranny. So Orwell denied that there was an *economic* explanation for totalitarianism, and in fact, Orwell was ignorant of the problem of economic calculation in precisely the same way that Steele says Marx was. Orwell naively stated in “The Lion and the Unicorn” (1941a) that “In a Socialist economy these [economic] problems do not exist. The State simply calculates what goods will be needed and does its best to produce them” (Orwell 2002: 316). According to Jennifer Roback,

> it is naive to assume, as Orwell seems to have, that planning an economy is a straightforward extension of the exercise of planning a family shopping list. . . . Orwell seemed to have no appreciation of the magnitude of the coordination problem that the price system attempts to solve. (Roback 1985: 131)

Orwell was unaware of the Misesian proof of the impossibility of rational economic calculation under socialism. If Steele is correct that Marx predicted freedom under socialism only because he was ignorant of economics, then the same should be true of Orwell. The reason that Orwell correctly
foresaw tyranny under socialism despite his ignorance of economics was that he had a keen appreciation of the realities of politics. His blindness in one area was compensated by an almost unparalleled clarity in the other.

V. A Classroom Exercise

Finally, we will now suggest how educators may easily and effectively convey this thesis to students. For a course on economics, Orwell's Nineteen Eighty-Four (1949) and Hazlitt's Time Will Run Back (1966) are unfortunately probably too long – each about 300 pages – for students to read within the time constraints of the course, given that students will already be busy reading dedicated economics texts. Thankfully, however, Animal Farm (Orwell 1945) and Richter's Pictures of the Socialistic Future (2010) are far shorter, approximately 100 pages each, depending on the edition. They are easy, breezy reads as well, with very simple narratives, and they can probably be read by a student in only a few hours. Therefore, an economics teacher could assign his or her students to read Animal Farm and Pictures of the Socialistic Future, and then conduct a Socratic seminar on those two novels. The teacher should ask the students something like, “According to Orwell and Richter, why did socialism fail?” The students should eventually arrive at an answer something along the lines of, “According to Orwell, because the pigs abused their power and betrayed the revolution; according to Richter, because of inexorable economic necessity.” It should not be difficult for the students to figure out the basic gists of the arguments on their own, perhaps with some gentle guidance from the teacher leading the Socratic dialogue. Once the students grasp the central ideas, the teacher can proceed to explain how these two arguments epitomize the Public Choice and Austrian School criticisms of socialism. The teacher may elaborate on the subtle nuances according to the students' capacities and the constraints of the course.²⁰

²⁰ For a course dedicated specifically to the economics of socialism, the teacher might add Francis
VI. Conclusion

Orwell was a socialist and an anti-capitalist until the end of his life. *Animal Farm* (Orwell 1945) and *Nineteen Eighty-Four* (Orwell 1949) were not intended as defenses of capitalism, and Orwell did not mean to condemn socialism *per se*, but only non-democratic, totalitarian forms thereof. He did not argue that socialism *per se* would necessarily fail as an economic system, but that socialism would fail if institutions were not crafted to provide those incentive structures that would ensure that men behaved as they ought. Orwell believed that a democratic socialism was the solution to the Public Choice problem that he perceived (Makovi 2015).

So Orwell took the Public Choice approach and assumed that the economics of socialism were sound and he questioned instead the political logic of its implementation. But in so doing, Orwell missed the opportunity to take the opposite approach, to assume (for the sake of argument at least) political altruism and beneficence on the parts of the socialist government's officials and to examine instead the soundness of the socialist economic system itself. That approach would have demonstrated why democratic socialism was an inappropriate cure for the Public Choice shortcoming of socialism which Orwell had perceived far in advance of many of his fellow socialists.

As we saw, two novels - Eugen Richter's *Pictures of the Socialistic Future* (2010) and Henry Hazlitt's *Time Will Run Back* (1966) - attempted to prove that socialism would necessarily turn totalitarian even without any abuse of power. Even assuming perfect benevolence by the government's officials, the logic of socialism itself as an economic system means that socialism will necessarily turn

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Spufford's recent novel, *Red Plenty* (2012). Although it is a work of historical fiction, it meticulously cites its historical sources, and so David R. Henderson notes (2012-2013: 56) that “Were I putting together a syllabus on Soviet economic planning, I would start by just working through [Spufford's] footnotes.”
totalitarian and tyrannical. The problem for Richter and Hazlitt was not the abuse of power but just the opposite: the more sincere and thoroughgoing the socialism, the more tyrannical it would become despite the political authorities' best intentions.

The aims of Orwell on the one hand, and of Richter and Hazlitt on the other, were thus diametrically opposed. Orwell believed that socialism would work given the right political institutions to incentivize authorities' behavior and prevent the abuse of power. But Richter and Hazlitt claimed that if the government is to centrally plan all production precisely, then it must assign everyone to his occupation, and nobody can have any freedom to change his employment. Therefore, socialism must result in totalitarianism even where democratic element of democratic socialism (hypothetically) successfully prevents the abuse of power. Even if democracy successfully prevents the abuse of power, this would do no good if Richter and Hazlitt are correct that the problem is not the abuse of power but the inherent logic of the economic system.

Nevertheless, Orwell had perceived at least half the argument against socialism, and we might just as well criticize Richter and Hazlitt for failing to make Orwell's Public Choice argument. Each side in the debate made one assumption about half the socialist system - either its politics or its economics - in order to better study the other half. Each made a valuable contribution by assuming away one half of the problem in order to better study the other half. By studying the two schools of thought side-by-side - Orwell against Richter and Hazlitt - we come to a better understanding of what each did. More generally, we see how the Public Choice criticism of socialist political institutions is the opposite of the Austrian highlighting of the problem of economic calculation under socialism. This thesis suggests a simple classroom exercise – a Socratic dialogue – that will allow students to realize on their own the distinction between the Public Choice and Austrian arguments against socialism.

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Works Cited


