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## The Impossibility of Democratic Socialism: Two Conceptions of Democracy

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Abstract: Andrei Shleifer and Robert W. Vishny (1994) have used Public Choice analysis to criticize market socialism. Peter J. Boettke (1995) and Peter T. Leeson and Boettke (2002) have argued that F. A. Hayek's *Road to Serfdom* (2007 [1944]) constituted a form of Public Choice analysis as well, in particular presaging an application of Arrow's Impossibility Theorem to democratic socialism. This essay demonstrates that additionally, Hayek's book adumbrated the distinction between liberal or limited democracy and illiberal or totalitarian democracy. This distinction between two conceptions of democracy provides another means of criticizing democratic socialism. The democratic political system and socialist economic system are fundamentally incompatible, making democratic socialism impossible, in the sense that democracy cannot fulfill for socialism what democratic socialists expect from it. Democratic socialism will fail, not because those in power will betray their trust or abuse their power, but because the fundamental institutional constraints of democracy are incompatible with socialist economics.

Keywords: Hayek; Road to Serfdom; democratic socialism; market socialism; economic democracy; totalitarianism; public choice; government failure; liberal democracy; illiberal democracy; arrow; impossibility; rent seeking; rent-seeking

JEL Codes: A12, B24, B25, B51, B53, D70, P10, P20, P30, P50

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Nearly a century after “after it officially began, the contest between capitalism and socialism is over: capitalism has won” (Heilbroner 1989: 98). Socialism “was the tragic failure of the twentieth century” (Heilbroner 2008). Even social democracy and the mixed economy have proven unsustainable, at least, in their most ambitious forms, as nationalized industries in Great Britain and France have gone bankrupt (Yergin and Stanislaw 2002) and welfare states have discovered they cannot afford their unfunded liabilities (Creveld 1999). Several of the more profligate European states have been forced to pursue austerity programs in order to pare down their debt to manageable levels, and the neoliberal Washington Consensus has insisted on similar conditions for aid to developing countries in Latin America.

But we cannot complacently assume that the relevant lessons have been learned forever more. “Those who do not learn from history are doomed to repeat it,” as Santyana said. Today's 26 year old PhD candidates were born in 1990, just barely prior to the collapse of the Soviet Union. College freshmen were in born in 1998, and by the time they are entering college today, a quarter of a century will have passed since the Soviet Union ceased to be. They have no personal memories of actually existing socialism, if we do not teach them why socialism failed, they will have no reason to believe it should not be tried again. They might not even realize they are trying anything “again”; if we do not educate them better, they might not even realize socialism was ever tried before. None of our students will know anything about socialism except what we teach them. Therefore, we must ensure we understand *why* socialism failed. We cannot teach our students the lessons to be learned from history unless we have learned them ourselves. Therefore, the failure of socialism deserves a restatement.

This essay is an exercise in political theory, exploring the political-institutional reasons why democratic socialism or economic democracy must necessarily fail to accomplish the aims and intentions of its advocates. It is *not* an application of economic theory, and it does not attempt to show whether socialism must fail for purely economic reasons. That argument has been made elsewhere, in the Austrian literature on the impossibility of economic calculation under socialism (Hayek 1935; Hayek 1948: 77-91, 119-208; Brutzkus 1935; Mises 1981 [1922]: 95-194; Hoff 1981 [1938]; Leoni 2009 [1965]; Lavoie 1985a; Lavoie 1985b; Steele 1992; de Soto 2010; Boettke 1998; Boettke 2012: 76-96, 226-240). For the sake of argument, this essay assumes that there is no problem of rational economic calculation under socialism. As far as is this essay is concerned, the Lange-Lerner-Taylor solution of market socialism might as well have successfully refuted Mises's, Hayek's, and Rothbard's claim that rational economic calculation is impossible under socialism. What this essay will argue is that democratic socialism must fail, not necessarily because it is socialist, but because it is democratic. Even if socialism were economically feasible, it cannot be successfully institutionalized by democratic means and still accomplish its goals. Even if it were possible to implement an economically rational form of socialism, its political institutions could not be democratic and it could not promise to safeguard individual rights and liberties against government abuse.

Furthermore, not only is democratic socialism unable to promise liberty, but democratic socialism is not compatible with Lange's market socialism either. Even if we concede for the sake of argument – as this essay does – that Lange et. al. successfully refuted Mises and Hayek, this essay will demonstrate that market socialism is institutionally incompatible with economic democracy. In other words: the claim is *not* that democratic socialism cannot economically calculate, but that democratic socialism is *politically* distinct from market socialism in such a way that previous attempts to show that market socialism can calculate are inapplicable to democratic socialism. This means that advocates of democratic socialism must craft a new refutation of Mises and Hayek that does not rely on Lange et. al. This does not necessarily mean that democratic socialism cannot economically calculate, but it means that all previous attempts to show that it can are inapplicable and that Mises and Hayek must be refuted anew.

This criticism of democratic socialism will build on F. A. Hayek's *Road to Serfdom* (2007 [1944]) whose arguments differ crucially from more recent criticisms of market socialism by Andrei Shleifer and Robert W. Vishny (1994). Shleifer and Vishny (1994) utilize basic Public Choice to argue that market socialism would be susceptible to the inefficiencies of rent-seeking because politicians cannot be sufficiently incentivized to promote economically efficient resource allocation. Although the target of Shleifer's and Vishny's criticism is market socialism, their arguments apply equally well to democratic socialism.

Similarly, Hayek (2007 [1944]) used economic analysis to criticize the political institutional logic of democratic socialism (Boettke 1995). Hayek's argument is, like that of Shleifer and Vishny, a form of Public Choice (Boettke 1995).<sup>1</sup> But Hayek went beyond Shleifer's and Vishny's (correct) argument that political officials will misuse their power and be insufficiently incentivized, giving rise to economic inefficiency. According to Hayek, the problem is more profound: democracy is fundamentally incompatible with socialism on the most basic, essential level. Hayek argues, not that politicians will abuse their power or that socialism will give rise to economic inefficiency, but that democracy and socialism are fundamentally incompatible, and therefore, that democratic socialism is logically incoherent. The political and economic systems simply do not match up in any coherent fashion.

It should be realized that what Hayek chiefly criticized was not redistribution of income by high levels of taxation, but command-and-control regulation and government ownership of the means of production. Hayek's *Road to Serfdom* (2007 [1944]) criticized the British Labour Party's policy of nationalization, and Hayek was inspired by the *de facto* nationalization-by-regulation accomplished by the National Socialist regime in Germany.<sup>2</sup> Hayek was not primarily concerned with high levels of taxation and redistribution of income such as we might find in Sweden. As Bruce Caldwell notes (Hayek 2007 [1944]: 30f.), “[T]he existence of such states [i.e. welfare states], and whatever successes they may or may not have had, does not undermine Hayek’s logical argument from *The Road to Serfdom*: a welfare state is not socialism.”<sup>3</sup> Because taxation and subsidy do not entail the same degree of command-and-control as does regulation, therefore, the example of Sweden does not

refute Hayek (*pace* Samuelson in Farrant and McPhail 2009: 5, 9, 11, 12). The Swedish system relied and still relies predominately on redistribution of income, with relatively little regulation or nationalization (Stein 1991, Sanandaji 2011).<sup>4</sup> Fittingly, Lawson and Clark (2010: 235) note that according to their empirical verification of Hayek's thesis,<sup>5</sup>

the Hayek–Friedman hypothesis [that economic liberty is a necessary precondition for political liberty] is confirmed most strongly when looking at the legal structure and property rights and the regulation areas of the EFW [Economic Freedom of the World] index. These two areas are more closely identified with political and civil liberties than the other areas of the EFW index (fiscal size of government, monetary policy, and trade policy).

Not all government interventions in the economy are equally likely to lead us along the road to serfdom. Hence, when I speak of “socialism,” I have a very specific meaning in mind: nationalization and central planning, or else command-and-control regulation so extensive that it begins to approach nationalization and central planning.<sup>6</sup> This was the classical meaning of “socialism” as intended by socialists themselves. Fundamentally, what socialism so defined means is the abolition or severe restriction of the price system, where explicit government commands and regulations replace the information and incentivize function of prices.

The essay proceeds as follows: section I summarizes and evaluates some of the statements and policies put forth by advocates of democratic socialism. Section II, the heart of this paper, builds on Hayek (2007 [1944])'s argument and demonstrates that there are at least two widely divergent conceptions of democracy. But according to either conception, democratic socialism must necessarily fail to accomplish the aims of its advocates. Democratic socialism is impossible, not necessarily because socialism is untenable as an economic system, but because socialism is not sufficiently compatible with any form of political democracy or democratic values. Section III is divided into three portions, each discussing a distinct reason why economic socialism is incompatible with political democracy: (a) distinguishes between limited democracy as a means and totalitarian or absolute democracy as an end; (b) discusses the problem of periodic elections, where the electorate may democratically reject socialism; and (c) demonstrates that democratic socialism would disrupt international trade, leading to tensions in foreign relations, contrary to the democratic peace hypothesis. Section III concludes.

## I. THE DEMOCRATIC SOCIALISTS

First, we will investigate what the democratic socialists themselves have said. A singular difficulty in evaluating democratic socialism is that it is not always clear from what the advocates themselves say, which specific political and economic system they have in mind. They have plenty to say in criticism of capitalism and the market economy and about the egalitarian ethics which motivate their criticism, but they are far less precise about the details of the system they would have replace capitalism. Recently, the editors of *Dissent* magazine (*Dissent* 2015) decided to “present a selection of key essays on democratic socialism from [their] archives.” To

avoid bias, this essay will follow largely follow *Dissent's* lead and predominately characterize democratic socialism according to the essays chosen by those editors, to wit: Howe and Coser (1954), Denitch (1978), Harrington (1978a), Phillips (1997), Heilbroner (1978a), Coser (1978). and Walzer (1978, 2010). In essence, we will let the editors of *Dissent* define democratic socialism for us. We will also refer occasionally to several other authors where it seems appropriate, including Archer (1995), Schweickart (1992), Burczak (2006, 2011), Dahl (1985), and to several works by George Orwell.

Irving Howe and Lewis Coser (1954) devote most of their essay (1954: 122-131) to a discussion of the Marxist criticism of utopian socialism. Only approximately the third quarter (1954: 131-135) lays out something resembling a concrete plan. The remainder of the essay (1954: 136-138) deals with the nature of work and leisure under socialism. Unfortunately, this sketch is not altogether clear. Howe and Coser note (1954: 133) that “a great deal of traditional socialist thought has stressed economic centralization as a prerequisite for planning” but that “[w]hatever the historical validity of these emphases on centralism, they must now be abandoned.” Instead, they propose “small decentralized industrial units” and “relatively small economic units.” The reason for this is that (Howe and Coser 1954: 134; cf. Denitch 1978: 354f.)

The presence of numerous political and economic units, living together in a tension of cooperation-and-conflict, seems the best “guarantee” that power will not accumulate in the hands of a managerial oligarchy

But however large or small these industrial units are, they still require central direction from the state. Howe and Coser say (1954: 134) their policy

implies a considerable modification of the familiar socialist emphasis on nationalization of the means of production, increase of productivity, a master economic plan, etc.—a modification but not a total rejection. To be sure, socialism still presupposes the abolition of private property in the basic industries.

Thus, their scheme still relies on nationalization and political planning. On the other hand, they state that this “requires only a loose guiding direction, a general pointer from above” (Howe and Coser 1954: 134), without explaining what this really means. Nevertheless, it seems clear that what Howe and Coser have in mind is socialism of the classical sort – *viz.* state ownership and direction of the means of production – and not of the newer, Scandinavian sort – *i.e.* basically free-markets with large transfer payments.

In addition, Howe and Coser (1954: 134) and Bogdan Denitch (1978) endorse some sort of guild socialism / syndicalism / workplace democracy, but they do not seem aware that workplace democracy essentially translates to free-market capitalism where the shareholders of a firm happen to be the firm's employees. In other words, under workplace democracy, the workers own the firms, but the firms compete with each other on the free-market in a typically capitalist fashion. Therefore, it is not clear how this is reconcilable with nationalization and centralized direction of the economy or any other canons of socialism. As Don Lavoie

(1985a: 127) notes,

Workers' control of the means of production appears to represent the long-range goal of these democratic socialists, but not much is said about what this entails concretely; neither is it ever explained why workers' control over their workplace should require, or even be consistent with, national economic planning.

Furthermore, some firms will be more profitable than others, and so the workers who own those firms will obtain higher incomes than the workers who own less profitable firms (Mises 1981 [1922]: 238, 242; cf. Caplan n.d. #1). Hence, workplace democracy is incompatible with egalitarianism too. And if income is nationally (or internationally) redistributed to achieve an equal outcome, then the workers do not really own their firms anymore. That is to say, if workers of a given firm obtain the same equal income regardless of which firm they own and irrespective of whether they operate their firm at a profit or a loss – regardless of any decisions they democratically make, in fact – then there is little sense in which the workers really do own their firm.

Moreover, it may be that many workers do not want to own a significant stake in their firm, for they may be happier drawing a steady, reliable salary than uncertain, variable profit. Workplace democracy entails that workers take on the role of entrepreneur who earns a profit – or crucially, a loss – depending on the accuracy of their entrepreneurial speculation and foresight. It may be that many workers do not wish to be mere residual claimants. Instead, they may wish to draw salaries even when the firm incurs losses. As Lavoie (1985a: 128) says, mandatory workplace democracy entails “forcing workers – who may not want to take on the risk, expense, and responsibility involved in managing a firm – to do so anyway.”

Besides, in a free-market, it is already legal for workers to establish a firm which they will own themselves, or for them to purchase a controlling share in the firm's stock (cf. Lavoie 1985a: 127).<sup>7</sup> For example, Archer (1995)'s version of workplace democracy specifies that workers or their representative labor movement purchase a controlling stake in the firm from the firm's owners through a series of mutually-acceptable compromises; hence, there is no act of expropriation which is inconsistent with free-market capitalism. Meanwhile, Schweickart (1992: 28-36) argues at length that in general, worker-management will be more efficient than traditional management. But if this were the case, then we ought to expect investors will invest more in worker-managed firms so that they earn a higher return than if they invested in traditionally managed firms (cf. Steele 1992: 323-349). Similarly, if workers preferred the combination of wages and working conditions offered by workplace democracy, then we would expect capitalists, competing with each other for scarce labor, to cater to these workers' demands (cf. Steele 1992: 323-349). Thus, it is not clear why an embrace of workplace democracy requires a rejection of capitalism. The capitalist utopia already includes the socialist utopia as a voluntary option for those who desire it (Brennan 2014: 94-98).<sup>8</sup> In general, capitalism allows the private institutions of civil society to be as democratic as their members wish them to be. For example, the mutual aid societies which preceded the modern welfare state were often organized on a democratic basis and

they gave their members a significant opportunity to exercise responsibility and to hold authority in a way which proved educational and which helped them build character (Green 1993). If democracy is demanded because it promotes civic virtue, this demand can be accommodated under capitalism with little if any government intervention.

Some authors (e.g. Dahl 1985 – see Green 1986; Burczak 2006, 2011) would reply that workplace democracy should be made mandatory; firms should be compelled to submit to worker control. Others would say that the government should “encourage” workplace democracy (cf. Lavoie 1985a: 127). But this would merely entail an interventionist form of capitalism: excepting the imposition of *ad hoc* regulations, the private worker-owned firms would continue to freely compete with each other in a marketplace (Burczak 2006, 2011), and some firms – and therefore, their employees – would be more profitable and prosperous than others (Mises 1981 [1922]: 238, 242; cf. Caplan n.d. #1). This is not socialism, but merely interventionism. Whether a policy mandating or encouraging this arrangement is a good idea is debatable,<sup>9</sup> but such a policy is conceivable only under capitalism.<sup>10</sup> In fact, Theodore Burczak (2006, 2011) advocates mandatory workplace democracy as the only acceptable form of socialism precisely because it is otherwise compatible with free-market capitalism and avoids Hayek's criticisms of central-planning.<sup>11</sup> Hence, when Howe and Coser (1954: 134) and Denitch (1978) advocate workplace democracy, it is not clear why this is an example of socialism and not merely a modified form of capitalism (cf. Lavoie 1985a: 127)d.

Michael Harrington's plan (1978a) is similarly muddled. He aims to move “beyond the welfare state” (Harrington 1978a: 440, 451) and to “transfer the control of basic investment decisions from private boardrooms to the democratic process” (Harrington 1978a: 442). He explicitly advocates state direction of the economy, calling for “a national planning process in which all the people would have an *effective* right to participate” (Harrington 1978a: 442, emphasis in original). On the other hand, despite his intent to “move beyond the welfare state,” he envisions “three main types of economic organization: socially owned; privately owned large enterprises; and cooperatives” (Harrington 1978a: 446). So there will be privately-owned firms as well as worker-owned firms, both of which must compete on the market with government-owned firms. It is not clear how this is different from the regulated, mixed economy which Harrington has rejected. With Harrington's confusing eclecticism, “one almost gets the impression that a shotgun tactic is deliberately being used here” (Lavoie 1985a: 151 re: Carnoy and Shearer).

In any case, according to Harrington, wherever a conflict arises between the private firms and the central plan, the latter will take priority: “individual enterprises or industries cannot be given the right to veto the democratic plans of the entire nation” (Harrington 1978a: 447). At the same time, Harrington believes that competition among state-owned firms will curb any abuse of power (Harrington 1978a: 448); he does not explain how state-owned and democratically-directed firms can be made to compete against each other when a democratic plan commands the private firms what they must do and how. Harrington fails to realize that unlike



market competition, political rivalry simply means a zero-sum competition for monopoly status; political actors merely vie for exclusive receipt of special privilege, with none of the benefits of market competition accruing to anybody (Lavoie 1985a: 135f., 140).

A key indication of Harrington's confusion is his approving citation of Oskar Lange (1938)'s market socialism (Harrington 1978a: 443f.), which he fails to realize is incompatible with democratic socialism. Harrington admits that according to Ludwig von Mises (1920), rational economic cost accounting is impossible under socialism. But he summarily replies that Mises has been refuted by Oskar Lange's market socialism. Harrington does not seem aware, however, of the fact that market socialism is fundamentally incompatible with democratic socialism. According to Lange, socialism can calculate if the government's officials follow strict, non-discretionary rules of cost-accounting. Essentially, the socialist government's officials are to perform the same sorts of calculations which a Neoclassical economics professor performs on the classroom blackboard, such as expanding output until marginal revenue equals marginal cost, etc. Market socialism, according to Lange, is meant to imitate the market, or more properly, market socialism is to replicate what the market would do under conditions of perfect competition. "Thus," Lange (1938: 82) says, "the accounting prices in a socialist economy, far from being arbitrary, have quite the same objective character as the market prices in a regime of competition. . . . Our study of the determination of equilibrium prices in a socialist economy has shown that the process of price determination is quite analogous to that in a competitive market."

There is no room in Lange's system for any democratic input or discretion. The government's officials are to determine the solutions to simultaneous differential equations by a method of trial-and-error, adjusting parametrized prices until quantity supplied equals quantity demanded. Lange's goal is for the government to discover the single optimal equilibrium set of prices and outputs. The government's officials could be chosen democratically if this is desired, but it makes no fundamental difference whether they are democratically chosen or not, because all the officials do is follow strict rules of accounting.<sup>12</sup> But according to Harrington, the goal of democratic socialism is to "transfer the control of basic investment decisions from private boardrooms to the democratic process" (Harrington 1978a: 442). Hence, what Harrington requires is the very opposite of Lange's strict rules of accounting without discretion. Harrington requires that "we the people" will be able to obtain whatever "we" want from the government and from the economy, whereas Lange's goal is for the government to discover a single, indisputable mathematical equilibrium which is immune from political clamouring. Harrington seeks to maximize democratic discretion while Lange aims to abolish all discretion; the two systems are seeking very different outcomes.<sup>13</sup>

Schweickart (1992) also makes precisely the same mistake as Harrington in his defense of economic democracy, and for this reason, Scheickart's system is difficult to criticize as well. Like Harrington, Scheickart (1992: 11) appeals to Lange to refute Mises, unaware that economic democracy and market socialism are antithetical. Schweickart (1992: 19) speaks of "worker self-managed market socialism," implying a system

where workers are responsible for implementing Lange's strict, non-discretionary rules of cost-accounting. It is not clear why it is preferable for workers to implement these rules rather than trained accountants. Then he speaks a “democratic, market-conforming plan” (Schweickart 1992: 19), unaware of the fact that a plan cannot be simultaneously democratic and market-conforming. Schweickart (1992: 20 n. 7) specifies that wage differentials will be restricted in order to limit income inequality, but this is incompatible with market socialism, which specifies that wages are to be determined by the Neoclassical economic law of marginal productivity (Lange 1938: 83). And while Schweickart specifies a market economy wherein worker-managed firms must compete with each other on the basis of free-market prices determined by supply and demand (1992: 19, 21), he also dictates that investment will be socially determined by a democratic process (1992: 19, 22). But which is it? These two components of the scheme are incompatible. And if investment is socially determined, by what method will calculation be determined to be economically rational, i.e. how will the system ensure that ends are achieved with the least cost, so that as many ends can be simultaneously achieved as possible? When any end is achieved at higher cost than is necessary, then more of another end must be sacrificed than was necessary. This is the essence of the problem of economic calculation, which applies under all systems, both capitalist and socialist. Furthermore, Schweickart (1992: 22) declares that labor costs are not to be accounted for, but according to Lange (1938: 83)'s market socialism, labor costs are as real as any other costs, and rational economic calculation requires that labor be economically allocated and conserved. The same laws of rational economic calculation apply to all systems, both market-based and socialist. In general, Schweickart appears to have no understanding at all of the meaning and significance of the problem of economic calculation. It is difficult to criticize Schweickart's system because it is so amorphous, indeterminate, and incoherent.

Therefore, Harrington and Schweickart cannot appeal to Lange to refute Mises's thesis of the impossibility of economic calculation under socialism, because Lange's solution to Mises's problem is incompatible with Harrington's and Schweickart's institutions and goals. Hence, Harrington and Schweickart must refute Mises themselves, and show how a democratic, majoritarian planning process could succeed in economically rational cost-accounting. Don Lavoie (1985a: 125-171) has shown this is impossible. But as this is an essay in political theory, not economic theory, we do not wish to subject democratic socialism too much to the criticism of economic price-theory. Our point is simply that the murky and muddled nature of Harrington's and Schweickart's proposals is indicated by the fact that he has approvingly cited someone – *viz.* Lange – whose scheme is diametrically opposed to his own. Of course, this murkiness works to Harrington's and Schweickart's advantages because it is much more difficult to criticize what cannot be grasped.

Nevertheless, in the end, Harrington does appear to endorse some form of planning, regardless of how democratic it is. For elsewhere he states (1978b: 356), “The socialist essential, it must always be remembered, is not the plan; it is the democratic power of the people over the plan and the planners.” And further (1978b: 357), “What must be done—in theory and in practice—is to counterpose democratic planning to command planning.”

Harrington does, after all, call for a form of government planning of the economy, albeit democratic rather than imposed by a hierarchical elite. Compared to Soviet-style planning, what Harrington wishes to change is not *what* is done but merely *by whom* it is done. This point must be emphasized. Discussing democratic socialists in general, Lavoie (1985a: 135) notes “their insistence that the planning they advocate must be decentralized, or 'from the bottom up,' rather than centralized, or 'from the top down.’” Lest one mistakenly believe that such decentralized planning implies a rejection of government planning, Lavoie (*ibid.*) immediately adds, “it must be clarified that these writers do believe there will have to be one central office that will have to oversee and coordinate the plans of other levels and branches of government.” Notwithstanding that the impetus for such planning will originate democratically, this still implies government planning of the economy.

Next, the editors of *Dissent* (2015) cite Anne Phillips (1997) as an example of democratic socialism as well. But it is not clear what relation her essay bears to democratic socialism. Phillips argues that sexual disparities in income that are not due to any sexual difference in ability are illegitimate, just as racial disparities are. Phillips (1997: 34) argues that women are paid less than men, not primarily due to employer discrimination but rather because women's socially-expected domestic duties require them to work fewer hours for less pay. Phillips (1997: 37) proposes interventions such as mandatory paid parental leave, and she notes (1997: 38),

the kind of sexual equality I am describing might then turn out to be compatible with a capitalist economy. It is not compatible, however, with a hands-off noninterventionism that allows the immediate requirements of employers to dictate the hours and patterns of work. What I am describing here is probably more accurately described as social democracy than socialism.

There we have it: Phillips is not advocating democratic socialism at all. But perhaps we can learn what democratic socialism *is* by examining what it is *not*. The editors of *Dissent* (2015) have chosen to feature Phillips (1997) in a collection of articles about democratic socialism. Phillips (1997) has advocated a set of welfare-state interventions which she claims are characteristic of social democracy and not socialism. Therefore, we can conclude that democratic socialism does *not* mean welfare-state intervention nor is democratic socialism identical with social democracy. Hence, it seems safe to conclude that democratic socialism must entail planning.

Indeed, the next essay cited by *Dissent* (2015), Heilbroner (1978a), states (p. 341), “[b]eyond the welfare state lies the *terra incognita* we call socialism.” And again (*ibid.*), “Socialism, as most of us think about it, is not just an improved welfare state. It is another kind of society.” In his reply to Heilbroner, Bodgdan Denitch (1978: 351) agrees, speaking of “a socialist society, the one presumably beyond the welfare state, the one in which socialists are no longer just adding one more reform to a pyramid of welfare-state reforms.” According to Heilbroner (1978a: 342f.), the welfare-state is simply the means by which capitalism saves itself.<sup>14</sup> Therefore (Heilbroner 1978a: 343), “the welfare state, adequate or not, must be considered as a form of capitalism” and socialism – including democratic socialism – must entail planning. As Heilbroner says (1978a: 343), socialism “must depend for its economic direction on some form of planning, and for its culture on some form of

commitment to the idea of a morally conscious collectivity . . . the coordinating mechanism then becomes 'command.'"<sup>15</sup>

At this point, we take a brief detour from *Dissent* (2015)'s reading list and examine the views of perhaps the most famous democratic socialist of all, George Orwell.<sup>16</sup> As Orwell noted (1946: 1083f.), “Every line of serious work that I have written since 1936 has been written, directly or indirectly, *against* totalitarianism and *for* democratic Socialism, as I understand it” (emphasis in original). Orwell (1941a: 334) advocated the

Nationalization of land, mines, railways, banks, and major industries. . . . The general tendency of this program aims quite frankly at turning . . . England into a Socialist democracy.”

In several places (Orwell 1941a: 317, 1941b: 1684, 1944: 232), Orwell warned that nationalization without egalitarian democracy would simply lead to “oligarchical collectivism” and caste rule. Richard White (2008:84) observes that Orwell (1941a)

is at pains to point out that nationalization or ownership of the means of production achieves nothing if the workers remain subject to a ruling cadre who make all the important decisions in the name of “the State.”

Orwell (1935: 926) wrote that

Socialism used to be defined as “common ownership of the means of production,” but it is now seen that if common ownership means no more than centralized control, it merely paves the way for a new form of oligarchy. Centralized control is a necessary pre-condition of Socialism, but it no more produces Socialism than my typewriter would of itself produce this article I am writing.

Discussing the rise of totalitarianism, Orwell (1939: 111) states that, “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.” According to Orwell, then, a *necessary* condition for socialism *is* nationalization of the means of production and central planning, but this is not *sufficient* without democracy. Democratic socialism, according to Orwell, is just that: planning and nationalization in a democratic, egalitarian fashion.

Returning to *Dissent* (2015)'s list, the final essay, written by Michael Walzer (2010), stands on its own. Unlike all of the authors we have seen so far, Walzer (2010: 38) explicitly equates socialism with social democracy: “Today’s socialism—social democracy is probably the more accurate name. . .” He lists three essential traits of “today's socialism” (2010: 38): democracy, market regulation, and the welfare-state. Hence, “the question 'Which socialism?' translates into 'What degree of democratic participation, market regulation, and welfare provision should we aim at?’” (Walzer 2010: 38). Walzer argues that the distinguishing characteristic of socialism is not a specific policy platform or political regime, but the means by which policies are pursued and the aims for which policies are sought: “What is most important, then, is not the final realization of socialist goals, but the process by which they are realized” (Walzer 2010: 39). He almost equates socialism with some

sort of deliberative or majoritarian democracy, saying “Ours is a 'participatory' socialism” (Walzer 2010: 39). Socialism is the process of “socialism-in-the-making” by the common workers, on the grassroots level (Walzer 2010: 41). Socialism-in-the-making “take[s] place in their unions, movements, parties, churches, and mutual aid organizations—in civil society, that is, and not in the state” (Walzer 2010: 42). Elsewhere (1978: 358), Walzer states that value attaches to the democratic process, not to its outcomes. So socialism simply means the outcome of authentically democratic action within civil society, regardless of what kind of policy platform or political regime this produces. One wonders: if the common people voted for laissez-faire capitalism, would socialism mean capitalism? At this point, the moniker “socialism” seems superfluous, for if socialism simply means democracy, then let us call it democracy. Walzer is not advocating democratic socialism, but simply plain democracy, period. Perhaps, with the fall of the Soviet Union and the evident failure of actually existent socialism, Walzer has simply run out of ideas. As Heilbroner has noted elsewhere (1989: 109),

The collapse of centralized planning shows that at this moment socialism has no plausible economic framework, but the word has always meant more than a system of economic organization. At its core, it has stood for a commitment to social goals that have seemed incompatible with, or at least unattainable under, capitalism—above all, the moral, not just the material, elevation of humankind.”

Be this as it may; we still need an operational definition of democratic socialism. We have seen that all of the rest of the authors besides Walzer equate democratic socialism either with planning or else with syndicalism. And as we have dismissed syndicalism as merely a form of capitalism, we shall assume, for the remainder of this essay, that democratic socialism entails government economic planning. Thus, democratic socialism is the system wherein the entire economy – meaning, every material aspect of life – is subject to political decision-making by a democratic government. According to Mises (1981 [1922]: 399), it is the theory that “The People must take the administration of economic matters into their own hands, just as they have taken over the government of the state.” Or in Lavoie's (1985a: 126) words, “The basic message of this movement is that a 'democratic' form of planning ought to be advocated as the only feasible alternative to fascism or corporate planning.” In fact, this definition – of democratic socialism as implying democratic planning – squares nicely with Walzer's definition of socialism as pure democratic political action: democratic socialism is the political system in which there is no limitation on democracy – when every material aspect of life, without exception, is subject to democratic decision. The sphere of democratic governance is simply expanded to encompass the entire economy. In Lavoie's (1985a: 127) words, “The central idea associated with the phrase 'economic democracy' is the pleasant-sounding notion that democracy, which has heretofore been restricted to the political sphere, should be extended into the economic sphere.” The two notions of democratic planning and pure democracy come to mean essentially the same thing: all of human existence is to be democratically socialized.

## II. HAYEK'S ARGUMENT: TWO CONCEPTIONS OF DEMOCRACY

### *1. Democracy as a Means vs. an End, or: Liberal vs. Illiberal Democracy*

Hayek argues, however, that this democratic socialization of human life will fail to satisfy or safeguard democratic values concerning the protection of individual freedom and human rights. According to Hayek, democracy is only a means to an end. But, says Hayek, the implementation of socialist policy demands the use of means which are incompatible with democracy. The two policies – socialization and democratization – simply cannot be fulfilled simultaneously.

As economists emphasize, some means are more appropriate than others to achieve given ends, and some means are completely inappropriate for certain ends. According to Hayek, this is true of democracy as well:

Democracy is essentially a means, a utilitarian device for safeguarding internal peace and individual freedom. As such it is by no means infallible or certain. . . . [There is] the misleading and unfounded belief that, so long as the ultimate source of power is the will of the majority, the power cannot be arbitrary. . . . If democracy resolves on a task which necessarily involves the use of power which cannot be guided by fixed rules, it must become an arbitrary power. (Hayek 2007 [1944]: 110f.)<sup>17</sup>

According to Hayek, in other words, democracy is but a means to the end of limiting power.<sup>18</sup> Some of the advocates of democratic socialism share this conception. For example Lavoie (1985a: 137) quotes Alperovitz and Faux's statement that we need to develop “new democratic arrangements to avoid the dangers of centralized bureaucratic power” and John Buell's argument that “without it [democracy], that planning that is surely coming in one form or another carry a heavy measure of repression.” These advocates of democracy socialism agree with Hayek that a critical function of democracy is the limitation of the exercise of government power.

But if the government's policy is one which necessarily relies on absolute political power to be implemented, then either democracy must be sacrificed to the policy, or the policy must be sacrificed to democracy. One cannot combine a policy of limiting government power via democracy on the one hand, with a socialist policy which necessarily requires unlimited government power to be implemented. One – democratic limitation or socialist absolutism – must be subordinated to the other. Even if democracy were somehow maintained under socialism it would still not accomplish its purpose, for the purpose of democracy is to limit power but a socialist government would necessarily be unlimited. An authentically socialist democratic regime socialism would at best be a tyrannical despotism which somehow succeeded in maintaining the outward trappings of democracy without maintaining anything of the spirit or intention of democracy. It would be something akin to giving a slave the power to elect his slave-master without giving him the freedom to escape the plantation.

One might reply that in fact, democracy is *not* merely a means to an end; democracy is *not* merely a method by which to limit political power. Instead, democracy might be conceived as an end unto itself. Coser and Howe (1954: 132) are right to argue that

the distinction made in English political theory, but neglected by Marxists, between democracy as an expression of popular sovereignty [sic] and democracy as a pattern of government in which the rights of minority groups are especially defended, needs to be taken seriously.

Michael Walzer comes close to the conception of democracy as an expression of popular sovereignty rather than as a means of protecting minorities, arguing that value inheres not in the socialist outcomes but in the democratic process itself (Walzer 2010, 1978: 358). This means that for Walzer, democracy is not a means but an end. Several other advocates of democratic socialism seem to agree, saying for example that “the democratic process means allowing people to make direct input into decisions that affect their lives” (Lavoie 1985a: 127 quoting Tom Hayden) and that we need “active popular participation in the day-to-day running of the basic institutions of the economy and the society” (Lavoie 1985a: 127 quoting Barry Bluestone and Bennett Harrison). In this conception, democracy is not merely a means for obtaining the good – such as by restraining governmental abuse of power to protect minorities – but rather, democracy is itself fundamentally constitutive of the good. The good is good *because* it is democratic. It is not the outcomes or benefits of democracy which are good, but democracy is itself good regardless of its consequences.<sup>19</sup>

But when the good is defined as the democratic consensus, there is no room left for any constitutional restraints on the exercise of democratic power. This may quickly produce an illiberal democracy where there are no constitutional limits on power (Percy 1955: 61, Röpke 1998 [1957]: 66, 68). Individual rights and freedoms will be routinely disregarded. As Hayek wrote elsewhere (1984a [1976]: 353),

Thus arose unlimited democracy . . . [from the belief] that the control of government by elected representatives of the majority made any other checks on the powers of government unnecessary, so that all the various constitutional safeguards which had been developed in the course of time could be dispensed with.

Similarly, Mises wrote (1981 [1922]: 64f.),

Grave injury has been done to the concept of democracy by those who, exaggerating the natural law notion of sovereignty, conceived it as limitless rule of the *volonté générale* (general will). There is really no essential difference between the unlimited power of the democratic state and the unlimited power of the autocrat. The idea that carries away our demagogues and their supporters, the idea that the state can do whatever it wishes, and that nothing should resist the will of the sovereign people, has done more evil perhaps than the caesar-mania of degenerate princelings. Both have the same origin in the notion of a state based purely on political might.

If there is any constitutional restriction permitted by absolute democracy, it is that the people are forbidden to

constrain their own popular sovereignty. The one constitutional limitation is that there cannot be any limitations on the exercise of democracy power even if the people desire them (cf. Talmon 1960: 205, 236); the one rule is that there are no rules.

This illiberal aspect of absolute democracy stands in contrast to liberal, limited democracy. According to Hague and Harrop (2007: 49),

[L]iberal democracy is a compromise. Specifically, it seeks to integrate the authority of democratic governments with simultaneous limits on their scope. By definition, liberal democracy is limited government. ... Elected rulers are subject to constitutions that usually include a statement of individual rights. ... In these respects, a liberal democracy is democracy disarmed.

Hayek of course would have endorsed limited democracy, for he understood democracy as a means by which to limit the exercise of political power. For him, democracy is only a means to facilitate the achievement of the good society but it is not constitutive of the good itself. On another occasion, Hayek wrote (1984a [1976]: 354),<sup>20</sup>

I must confess to preferring non-democratic government under the law to unlimited (and therefore essentially lawless) democratic government. Government under the law seems to me to be the higher value, which it was once hoped that democratic watch-dogs would preserve.

A similar preference for the rule-of-law over popular sovereignty once animated American political culture as well. As Edward S. Corwin (1955: 4) says of America's founding philosophy:

The attribution of supremacy to the Constitution on the ground solely of its rootage in popular will represents, however, a comparatively late outgrowth of American constitutional theory. Earlier the supremacy accorded to constitutions was ascribed less to their putative source than to their supposed content, to their embodiment of an essential and unchanging justice. . . . There are, it is predicated, certain principles of right and justice which are entitled to prevail of their own intrinsic excellence, all together regardless of the attitude of those who wield the physical resources of the community.

This reinforces Hague and Harrop's (2007: 49), argument that the United States represents “the most liberal (and perhaps the least democratic) of all the liberal democracies.” According to the classical liberal conception, the popular will as such has no normative value. What classical liberalism demanded was justice and the protection of individual rights by whichever means were most expedient. Democracy had at most instrumental value as a means for effecting justice and peace, but it was justice and peace, not democracy, that were sought for their own sakes.

This classical liberal conception is incompatible with socialism. Democratic socialism appears to necessarily embrace a majoritarian, unlimited, absolutist conception of democracy wherein the democratic process is constitutive of the good; the good is good because it is democratic. But such a conception has little



place for constitutional limits on power or for the protection of civil liberties, and it quickly slides into unlimited, illiberal democracy. If the good is whatever the democratic process decides upon, then there is nothing to protect minority or individual rights, for any constitutional protections would subvert absolute democracy. If 51% of the people decide to abolish the freedom of speech of 49% of the people, then any constitutional right to free speech would undermine popular sovereignty. If the will of the people is absolutely sovereign, then nothing, not even constitutional guarantees of individual liberty, can be allowed to obstruct that democratic will. If such constitutional guarantees do exist, then it is the people's rights – not their democratic will – which is sovereign. As Hague and Harrop say (2007: 49), “Liberal democracy is a settlement between individual liberty and collective politics,” but under democratic socialism, there obviously – by definition – cannot be anything to dilute the purity of collective politics. Talmon's (1960: 112) gloss on the French Revolution applies here as well:

The idea of democracy implied here contains no reference to the right of opposition, to individual liberties or toleration, and clearly revives the ancient Greek view of democracy as the victory of the mass of the under-privileged over the privileged minority, and the suppression of the latter by the former.

Absolute democratic sovereignty can produce an illiberal democracy by yet another route as well. It may be, not that 51% of the people vote with the express intention to violate the rights of 49%, but instead, the majority of the people may vote for a demagogic populist who promises to protect and enrich the people provided only that they hand over to him authoritarian power. This authoritarian populist will tend to impose limitations on the freedom of speech in order to protect his own regime, and he will often work to ensure that the courts and judges are not independent of his will. Such a democracy will be illiberal, not because the people directly voted for illiberal policies which deliberately intended to plunder minorities at the expense of the majority, but instead, because the people used their sovereignty to elect a populist who proceeded to illiberally subject the press and the courts to his private will. The dictator may use defamation laws to silence any criticism of him. As Jacob Talmon notes (1960: 104f.),

The ancients have already understood, and indeed witnessed, the phenomenon of extreme democracy leading straight to personal tyranny. Modern experience has added one link, the role of the totalitarian-democratic vanguard in a plebiscitary régime, posing as the people. The fervour and ceaseless activity of the believers, on the one hand, and intimidation practised on opponents and the lukewarm, on the other, are the instruments by which the desired “general will” is made to appear as the will of all. Only one voice is heard, and it is voiced with such an insistence, vehemence, self-righteous fervour and a tone of menace that all other voices are drowned, cowed, and silenced.

Such things have often happened in recent decades in Latin America, for example, “with the urban poor seeking salvation through a strong, populist leader” (Hague and Harrop 2007: 52). But the doctrine of absolute

sovereignty cannot object to this populist form of illiberal democracy either. For after all, the people *did* elect this populist. Furthermore, when the populist dictator proceeds to limit the freedom of speech, it is impossible to object that this is illegitimate. After all, popular sovereignty excludes constitutional limitations. Therefore, it cannot be said that there is a constitutional guarantee of liberty of speech which the dictator is violating. Similarly, it cannot be objected that the courts ought to be protecting constitutional liberties against the dictator, and striking down his policies as violations of the rights of the people, for there cannot be such constitutional liberties and rights according to the doctrine of absolute democratic sovereignty. Hague and Harrop (2007: 51), speaking of illiberal democracy in general, state that “[b]ecause the judiciary in an illiberal democracy is under-resourced, it is unable to enforce the individual rights documented in the constitution.” But unlimited popular sovereignty cannot tolerate the enumeration of any individual rights to begin with. It is not merely that the courts cannot enforce rights, but instead, rights cannot be specified at all, for any such enumeration would supersede democracy and illegitimately constrain the sovereign popular will. There cannot be anything beyond the will of the people to which the courts can appeal. It is the will of the people which is sovereign above all else. And since the dictator represents the will of the people, no court – no matter how independent – can appeal to any normative principle above the dictator's will. If there were any such normative principle, then sovereignty would necessarily be located not in the will of the people but in that normative principle which has been placed above the will of the people.

Under democratic socialism as well, as long as democracy is conceived in this unlimited fashion, then there no normative principles to appeal to above the sovereign popular will. If the government owns the printing presses and imposes selective censorship, what principle can anyone appeal to against this? It is the will of the people which is sovereign, not any individual liberties or rights. Whether the majority votes to oppress the minority, or whether the people elect an authoritarian populist, there is no higher principle to which one can appeal to object to the government's policies. But then democratic socialism cannot promise to be any less despotic and tyrannical than non-democratic socialism. Distinguishing between “liberal democracy of the Anglo-Saxon and Swiss kind on the one hand and the Jacobin brand of democracy on the other,” Wilhelm Röpke (1998 [1957]: 66) notes that the latter precludes the “metademocratic” constitutional limits imposed by the former (Röpke 1998 [1957]: 68). Therefore, he says (Röpke 1998 [1957]: 69),

Democracy is, in the long run, compatible with freedom only on condition that all, or at least most, voters are agreed that certain supreme norms and principles of public life and economic order must remain outside the sphere of democratic decisions.

But democratic socialism necessarily rests on the illiberal principle that *nothing* is outside the sphere of democratic decisions.

The democratic socialists have unfortunately taken little notice of this problem. As Lavoie (1985a: 137) notes in his survey of their literature, “[i]n all these articles and books there is no coherent argument about why

we should expect the political changes implicit in national planning somehow not to lead to a drastic centralization of political and economic power. Instead, there is simply a strong emphasis on the virtues of democratic or local or collective decision-making.” By any conception of democracy, then, democratic socialism is incoherent. If democracy is a means to limit power, then it is incompatible with the unlimited power which socialism necessarily requires for its implementation. And if democracy is an end unto itself, constitutive of the good, then it cannot tolerate constitutional limits on democratic or socialist power which restrict the exercise of socialism or democracy in order to protect individual rights. If democracy is itself constitutive of the good, then illiberal outcomes of democracy must be accepted as necessarily good. In either case, democratic socialism is unable to promise that individual rights will be protected.

## *2. What Happens in the Next Election?*

There is one other crucial aspect of democracy which the democratic socialists appear to have neglected: that democracy entails periodic elections. We certainly cannot assume the democratic socialists will always win. So what happens if during the next election, the people vote against the incumbent party? Some capital investments take years or decades to bear fruit, before they deliver the hoped-for return-on-investment. What if four years after a plan is inaugurated, a new party is elected and uproots that tree before it has had a chance to blossom? How could any economic coherence or consistency be maintained if elections constantly upend the entire economy? For “[l]ong-term industrial projects cannot flourish in such an environment of political uncertainty,” according to Jewkes (1968: 166).

And how could democratic socialism be maintained if the people voted against socialism and in favor of a free-market? Or what if the people continued to vote for socialism in general, but chose to elect a competing, alternative socialist party with a central plan differing from that of the incumbent socialist party? How can a long-term economic plan be maintained if it is replaced every time a new party comes to power? A colleague of Hayek's, a little-known economist named John Jewkes (1968: 166, 152, 166) argued,<sup>21</sup>

Even where one planning government is succeeded by another, sudden switches of policy are to be expected. . . . If the personnel of the supreme planning group changes, then disrupting and costly changes in policy will follow. Even greater dislocation is to be expected where a socialist government, committed to planning, is replaced by a non-socialist government which favours the free economy. So long as representative government is maintained this possibility cannot be ruled out. . . . The prospect is thus opened up of chaotic competition between rival plans.

And so, said Jewkes (1968: 152, 166f.). , democratic socialism could not operate

Unless . . . the highly undemocratic assumption is made that the government will never change the political colour of its government. . . . There is no escape from a dilemma unless one party is has the courage of its conviction and, in the interests of the continuity of its economic

programmes, deprives the electorate of the right to change the government.”

In fact, some of the advocates of democratic socialism themselves did not shy away from this anti-democratic conclusion. As Hayek (2007 [1944]: 105) noted:

to make it quite clear that a socialist government must not allow itself to be too fettered by democratic procedure, Professor Laski . . . raised the question “whether in a period of transition to Socialism, a Labour Government can risk the overthrow of its measures as a result of the next general election” - and left it significantly unanswered.

And further (Hayek 2007 [1944]: 105n4),

Professor Laski [expressed] his determination that parliamentary democracy must not be allowed to form an obstacle to the realization of socialism . . . “the continuance of parliamentary government would depend on its [i.e. the Labour government's] possession of guarantees from the Conservative Party that its work of transformation would not be disrupted by repeal in the event of its defeat at the polls”!

The problem is especially severe for Michael Walzer (1978: 358, 2010) who, as we have seen, equates democratic socialism – or “socialism-in-the-making” – with the democratic process. What happens if the people vote for capitalism or laissez-faire? Or what if they vote for fascism? Is this still socialism? And we already saw that absolute, unlimited democracy allows the people to elect an authoritarian despot who is unencumbered by any constitutional restrictions on the exercise of his power. In general, the coherency and consistency of any socialist plan is threatened by unpredictable political changes, and democracy does nothing less than to institutionalize and systematize such unpredictability.

Robert A. Dahl's (1985) defense of workplace democracy suffers from a similar dilemma. As Mayer (2001: 230) notes, according to Dahl, “The fact that [non-democratic workplace management] is sanctioned today by majority rule and majority opinion is no justification, for moral rights cannot legitimately be suspended by a show of hands.” So apparently, democracy is to be the ruling concept, except when the people democratically reject democracy. Then democracy is invalid. The people must have democracy even they democratically declare that they do not want it (cf. Talmon 1960: 205, 236). The liberal conception – which we have discussed earlier – that democracy is subordinate to the protection of individual rights – and that popular sovereignty is not unlimited – is strangely invoked just once: if the people vote to reject unlimited popular sovereignty, then their vote is nugatory because the people have a right to unlimited sovereignty which they are not allowed to democratically reject. Heads, Dahl wins; tails, the people lose.

These considerations suggest that any attempt to implement democratic socialism may wind up traveling back down the road paved by Robespierre's Terror during the French Revolution. Green (1986)'s review of Dahl's (1985) advocacy of compulsory workplace democracy is revealing: the reason “why historically men came to demand liberty, or limited government . . . was because centuries of experience had taught that

governments which set out to create the good life for their people ended up by forcing *one* conception of the good life on them.” As Jacob Talmon (1960) shows, the followers of Rousseau really did believe in individual liberty and human rights. The failure of the French Revolution had nothing to do with a disregard for liberal individualism. Instead, Talmon argues, the problem was that the French *philosophes* assumed that there was *one* natural order which best accorded with human nature, and they were confident that this natural order was a self-evident, Cartesian truth (cf. Hayek 1948: 1-32). Rousseau and Robespierre were sure that majoritarian democracy would unerringly result in a unanimous discovery and ratification of the General Will. Because the truth was so obvious, they simply could not conceive of the possibility that factions and disagreements might persist under democracy. When not everyone agreed with Robespierre on what the General Will was – and the truth was, remember, self-evident – the only conclusion he could draw was that some people were simply evil or stupid. In such a case, it was consistent with human rights and liberties to follow Rousseau's counsel to “force people to be free” – to force people to live in accordance with the self-evidently true and best lifestyle. The rest, of course, is history.

Bryan Caplan (n.d. #1) shows that something similar happened to the anarchists during the Spanish Civil War: the anarchists were forced to resort to state-socialism to implement their scheme. But, says Caplan, this was not because the anarchists were insincere in their denunciations of state violence and compulsion. The anarchists really did mean everything they said when they rejected the Weberian state (Caplan n.d. #1; cf. Caplan n.d. #2 s.v. “9. How would left-anarchy work?”). The problem was that they assumed that anarchism would successfully accomplish their socialist aims. But when they implemented workplace democracy, they discovered that some factories were materially furnished better than others. The workers in some factories thus obtained higher incomes than others (Caplan n.d. #1; cf. Mises 1981 [1922]: 238, 242). This was not what the anarchists envisioned. There were two solutions: either the anarchists could hold true to their anarchism and let things be, or else they could create a Weberian state and compel the richer factories to subsidize the incomes of the workers of the poorer factories. In the end, the anarchists took the second route, and their socialist aims prevailed over their anarchist means (Caplan n.d. #1). They had to create a state to redistribute incomes when their anarchist workplace democracy did not produce the outcomes which they had expected.

Similarly, one wonders whether the democratic socialists have ever conceived of the possibility that they might actually lose an election!<sup>22</sup> What will they do if the people vote for capitalism? Will the democratic socialists accept this democratic outcome, or will they insist that socialism must be implemented at all costs, even if this means abandoning democracy? Like the French *philosophes*, the democratic socialists have assumed that everyone will vote for what they believe they ought to. But when the people vote differently, what will the democratic socialists do? A democratic socialist cannot legitimately specify both the means of democracy and the end of socialism, for this is an illegitimate act of what Michael Novak (1986: 172) terms “definitional imperialism,” where one *defines* a given set of means as accomplishing a given set of ends.<sup>23</sup> One may indeed

hypothesize that a given set of means will accomplish a given set of ends, but when it comes time to verify the hypothesis, one must make a choice: either means or ends. Either one implements democracy and discovers whether the hypothesis is verified – that is, whether the people indeed turn out to choose socialism as hypothesized – or else one decides upon socialism and then chooses to implement whichever means will successfully produce that given end, even if it turns out that those means are necessarily anti-democratic, contrary to the original hypothesis. So to pose the question again: if it turns out that the people will not vote for socialism, what will the democratic socialists choose? Will they choose non-socialist democracy or non-democratic socialism? Will they simply become plain democrats, accepting whatever the people have willed, even if it has nothing to do with socialism? Or will they become Soviet-style socialists, relying on a vanguard party to implement the true General Will and compel the people to be free? Surely the people will thank them later . . . right?

### *3. International Economic Integration: Where Goods Do Not Cross Borders, Armies Will*

Our final reason for the incoherence of democratic socialism is the deleterious effects it would have on international relations. By virtue of its socialist nature, a thoroughgoing democratic socialism would seriously disrupt international trade and threaten peaceful foreign relations, possibly even giving rise to warfare, but certainly leading to tense relations. Insofar as democratic socialists strive for peace and the protection of human rights, these foreign policy consequences are incompatible with the goals of democratic socialism. In contrast to the vaunted “democratic peace theorem,” democratic socialism would in fact give rise to international conflict, in violation of democratic values.

This argument was made most clearly by Ludwig von Mises (1985 [1944], esp. ch. 3, pt. 4-10)<sup>24</sup> and by Gustav Cassel (1934), but it is compatible with Hayek's analysis. Indeed, Hayek approvingly cites both Mises and Cassel (Hayek 2007 [1944]: 239f.).<sup>25</sup> Focusing on the socialist attitude towards international commerce, Mises and Cassel argue that militancy, belligerency, and bellicosity are logical consequences of the consistent pursuit of socialism. Being a market-based activity, international trade is opposed to the values of socialism. As such foreign commerce is ideologically anathema, the truly socialist state is necessarily autarkic (Mises 1985 [1944], Osterfeld 1992: 7).<sup>26</sup>

Furthermore, foreign trade reduces national sovereignty by ceding economic power to the foreign trading partner (Mises 1985 [1944], Osterfeld 1992: 181f.). No government can exercise power beyond the territory subject to its own sovereignty. Imports must be paid for with exports, and purchasing imports requires producing goods for exports which satisfy foreigners. This means the government's domestic economic plan must satisfy the whims of fickle foreigners who are not subject to the government's sovereignty.

Meanwhile, freedom of international trade allows foreign competition to undermine and defeat domestic intervention and regulation. Freedom of trade between two states limits the ability of the governments of either

one of those two states to intervene in their domestic economies. A government cannot successfully intervene in its domestic market unless it is insulated from foreign markets. For example, if a state wishes to boost domestic wages in a given industry by establishing minimum wages or legally privileging unions, then it must establish trade barriers to keep foreign states from undercutting those wages by offering cheaper goods. Contrariwise, when a state is unable to impose such barriers to trade, its ability to domestically intervene is limited because any attempt at domestic intervention will too quickly prove itself to be self-defeating. For example, when the state of Washington tried to legally favor unions, Boeing responded by voting with its feet and relocating to the “right to work” state of South Carolina. In such a case, it is too obvious that domestic intervention was responsible for undesirable consequences. But had Boeing been forbidden to vacate Washington, it would have been more difficult for voters to discern that legal regulations had artificially raised the cost of business. Trade restrictions are resorted to as a form of cost-concealment, a means by which foreigners are forbidden to expose the manner in which domestic interventionism has raised costs and reduced productivity.

Hence, where there is freedom of international trade, conditions in foreign markets will tend to undermine and disrupt the domestic central plan of the socialist state and expose its vacuousness. Where international trade is unrestricted, domestic intervention will too quickly prove self-defeating. Therefore, under thoroughly consistent socialism, foreign trade must be limited if not entirely precluded so that the state can plan with confidence without its sovereignty being undermined. But if imports are banned, then the state must militarily conquer those territories which possess desired resources (Mises 1985 [1944], Cassel 1934). The logical consequence of such autarky is therefore militant expansionism. Hence, the Nazi pursuit of *Lebensraum*, “living space.”

Lord Percy of Newcastle (1955) offered a similar analysis of this dynamic, arguing that absolute democracy – sovereignty of the popular will – leads to nationalism, which in turn restricts foreign relations. According to Percy (1955: 61), “the very idea of a constitution is essentially repugnant to the pure democrat.” Further, “a sovereign people must not allow its own decrees of yesterday to limit its freedom to meet the needs of today. . . . Thus the incompatibility of unmixed democracy with settled law” (Percy 1955: 50). Popular sovereignty cannot tolerate any limitations on its own democratic authority. But the General Will cannot easily be determined or expressed except at the local level (Percy 1955: 56, 62). One solution to this dilemma is nationalism (Percy 1955: 75-110). The sovereign people is united by a common nationality and the constitutionally unlimited General Will is expressed at the national level. But such nationalism quickly leads to a closed economic democracy which turns to belligerency and militarism. According to Percy (1955: 99f.),

[M]ost of the members of the new family of nations, created by the Peace of Versailles . . . existed, so the argument had run, because their peoples were entitled to sovereignty. If their governors could not find a way to be democratic nationalists, they were bound to try to assert themselves as economic nationalists. For the corporate franchises and the international dealings

of world capitalism are the most irritating possible challenges to the claim of a sovereign people to sole power within its own territory. An economic democracy must be a closed system; hence Marx's thesis that it could be established only in a World state as the result of an international revolution. ... Thus, to vary the metaphor, the best diagnosis of the convulsions of Europe between the wars is that they were the result of economic shock, operating on a constitution undermined by the peculiar religious mania of nationalism.

In short, both unlimited democracy and socialism lead to national socialism.. Neither unlimited democracy nor socialism nor nationalism can tolerate foreign interference in domestic economic planning nor can they allow diminution of domestic popular sovereignty. Therefore, insofar as they are followed consistently to their logical ends, they all lead to autarky, belligerency, and militarism.

Woodrow Wilson was wrong: it is not true that democracies never go to war against each other simply *because* they are democracies. If anything, unlimited democracies will go to war *more* often because their nationalism demands economic autarky. If there is any nation which is less likely to go to war, it is those nations which permit international free-trade at the expense of popular or national sovereignty. The fact that Europe has been peaceful since World War II has less to do with democracy and more to do with the common market which has united Europe economically since 1957.<sup>27</sup> This common market is certainly liberal but it is undemocratic insofar as it deprives domestic European states of complete democratic sovereignty. In other words, if democracies have in fact been less likely to go to war, it is because they have tended to be liberal democracies where the liberal aspect operates as a limiting check on the democratic element (Hague and Harrop 2007: 49). Liberal democracies have been unlikely to go to war because they have been more liberal than democratic.

These are some of the reasons Hayek argued in the *Road to Serfdom* (2007 [1944]) that German National Socialism was not a corruption or departure from socialism. Instead, the Nazis had merely pursued socialism to its logical conclusion. According to Hayek, the Nazis had simply been more willing than the German Social Democrats to use whatever means were necessary to implement socialism (Hayek 2007: 146, 160, 182). Lord Percy called the Germans “an insurgent people, claiming the 'right to work' in a territory sufficiently extended, and a State effectively socialized, for that purpose” (Percy 1955: 103; cf. 105).

We can summarize this extended argument with the Manchester School's aphorism that “Where goods do not cross borders, armies will.” Domestic economic intervention cannot succeed without international isolation and restriction of trade. Foreigners cannot be allowed to undercut and circumvent domestic regulation. But this in turn leads to warfare. Thus, Nazi/Soviet military expansionism was merely a consequence of socialist economic policy pursued consistently to its final implications. At best, if warfare is avoided, then domestic interventionism leads to complete isolation and insularity; nearly all contact with foreigners must be restricted in order to safeguard the integrity of the domestic economic plan. Democratic socialism must restrict international



trade and foreign relations in order to ensure the effectiveness of the central plan and protect the people's democratic popular sovereignty. But this would give rise to consequences in foreign policy contrary to the cosmopolitan and humanitarian values of the democratic socialists. Democratic socialism is inconsistent with international multiculturalism, and it requires discriminating against foreigners – treating them as something other than one's fellow human beings possessing equal rights and dignity.

#### IV. CONCLUSION

We have argued that democratic socialism is inconsistent with the protection of individual rights and liberties. None of these reasons rest on the argument that economic calculation is impossible under socialism; for the sake of argument, we could assume that Lange-Lerner-Taylor were correct and that Mises-Hayek were wrong, and we would still have to conclude that democratic socialism is impossible, in the sense that it cannot accomplish its purpose.

Democratic socialism is incoherent and self-defeating because democracy is merely a means to the end of limiting power, but socialism necessarily requires unlimited power. The means and the end are incompatible and one must be sacrificed to the other. This contradiction can be avoided by defining democracy instead as an end unto itself: the government should execute the will of the people simply because popular sovereignty defines the good. But this precludes the imposition or maintenance of any constitutional restraints on the exercise of government power, and it will result in totalitarian or illiberal democracy. Whether democracy is conceived as a means or as an end, either way, democratic socialism is inconsistent with limited government and guaranteed protection of the individual rights of minorities.

A second reason for the impossibility of democratic socialism is that its advocates have not sufficiently accounted for the possibility that they might lose an election. If the people vote for socialism, then well and good. But what if the people vote for capitalism? What then? In such a case, the democratic socialists can become either plain democrats – accepting the non-socialist outcome as good and acceptable simply because it is the will of the people – or else they can – like Robespierre following Rousseau – form a vanguard party and compel the people to be free. Either the democratic socialists must become plain democrats or else they must resort to Soviet-style command socialism.

Finally, democratic socialism or economic democracy is – like economic nationalism – incompatible with cosmopolitanism and international peace. Domestic interventionism cannot be sustained as long as imports are allowed undermine the plan. Thorough domestic interventionism is impossible without protectionism and national self-sufficiency. This in turn must result in either bellicosity, belligerency, and warfare, or else isolationism and complete disregard for foreigners. Either way, democratic socialism is therefore inconsistent with a philosophy which regards all human beings around the world as essentially equal in rights and dignity. The “democratic peace theorem” is not true – at least not in the form Woodrow Wilson conceived it. If

democracies do not go to war, it is *not* because they are democratic, but it is because they agree to permit international free-trade. But democratic socialism would have to restrict foreign commerce, and so the democratic peace theorem would not apply.

Countless humanitarians have placed their hopes and dreams for a better future for mankind in socialism. But they soon realized that Soviet-style socialism inevitably produced a totalitarianism and a disregard for human happiness worse than anything capitalism had ever had. Therefore, many of these socialist humanitarians soon began to advocate democratic socialism instead – socialism with a human face. Unfortunately for them, democratic socialism can never function as they have hoped. Even if socialism were economically rational and feasible, a specifically democratic institutionalization of socialism is *politically* impossible, in the sense that democratic socialism cannot accomplish the goals and purposes set for it.

And we must reiterate these facts, for as we noted previously, those who do not learn from history are doomed to repeat it. We cannot assume that students born during the 21<sup>st</sup> century will have learned the lessons of the collapse of the Soviet Union and the failure of actually existent socialism. We must understand these lessons ourselves and then painstakingly convey them to our pupils if history is not to repeat itself.

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- 1 On Boettke (1995)'s claim that Hayek prsaged Arrow's Impossibility Theorem, cf. Boettke and Leeson (2002), Makovi (2016c).
- 2 That regulation constitutes *de facto* nationalization, see Mises (1981 [1922]: 45). That such was done by the Nazi regime, see Mises (1974 [1950]: 24f.).
- 3 Farrant and McPhail (2009: 12, 15) disagree with Caldwell. For a defense of Caldwell against Farant and McPhail, see Makovi (2016b). (I thank Vlad Tarko for directing me to Farrant and McPhail [2009]).
- 4 One may examine the measures of economic freedom compiled by the Fraser Institute under its Economic Freedom of the World index and come to the same conclusion. For any given year, Sweden has – compared to its contemporaries – tended to have low levels of regulation, low trade-barriers, and high degrees of protection of private-property, tempered by high levels of taxation and redistribution. This is completely unlike the sort of regulatory command-and-control and nationalization to which Hayek's thesis in the *Road to Serfdom* applies.
- 5 I thank Vlad Tarko for directing me to Lawson and Clark (2010).
- 6 I thank Willem J. A. van der Deijl for forcing me to clarify this point.
- 7 If one argues that the workers do not possess enough capital to establish a firm on their own, then this means the owner of capital provides a valuable service for which they deserve compensation. Why should the capitalist sacrifice their savings and establish a firm if the employees are entitled to appropriate the entire firm and shut the capitalist out?
- 8 Burczak (2011: 136) and Mayer (2001: 231f.) argue that under workplace democracy, instead of the owners of capital hiring labor and paying wages, labor would lease capital from its owners. But besides the fact that this would outlaw certain voluntary contracts – what Nozick (1974:163) called “capitalist acts between consenting adults” – we must point out that it is already legal under free-market capitalism for labor to lease capital. Once again, the capitalist utopia subsumes the socialist one.
- 9 Prychitko (1998) makes two criticisms of Burczak: first, Burczak's “thin” socialism might undesirably “thicken” into central planning due to the difficulty of defining the “whole product” to which labor is entitled, especially in an interconnected economy where many firms produce intermediate products to be embodied later in final consumer goods. Second, Prychitko says, Burczak's own principles converge on a free-market libertarian consent theory of justice. According to Burczak, a capital-owner cannot hire labor, but worker self-managed firms should rent capital. Therefore, a firm cannot hire janitors, but several janitors should join and form a self-managed janitorial services firm so that other firms will rent their janitorial services. But what, asks Prychitko, happens when a single janitor forms his own self-managed firm of one? According to Burczak's principles, this self-managed firm of one should be entitled to rent its capital out to other firms. But its capital is nothing other than the single janitor. So if self-managed firms of one laborer are permitted, then Burczak's socialism converges on a free-market consent theory of justice. I would add: rather than deciding in advance, by *a priori* logic, whether labor or capital is responsible for and deserving of the “whole product” of production, and whether labor or capital is responsible for exercising the entrepreneurial function, we should



allow markets – meaning consensual social interaction and contract – to *discover* who is responsible and deserves which return (cf. Hayek 2002; Mises 1981 [1922]: 48).

- 10 Callari (2009) criticizes Burczak's (2006) workplace democracy for neglecting several traditional Marxian critiques of markets, such as the critiques of “commodity fetishism” and the “anarchy of production.” Cf. Hayek (1948: 209)'s criticism of market socialism that it is “so thoroughly unorthodox from a socialist point of view that one rather wonders whether their authors have not retained too little of the traditional trappings of socialist argument to make their proposals acceptable to socialists who are not economists.”
- 11 Burczak also advocates subsidized credit (2009: 390, 2011: 139) and a guaranteed minimum income (2009: 392, 2011: 139-144), but this are economic issues beyond the scope of our political discussion. For a criticism of subsidized credit, see esp. Lavoie (1985a: 157-160, 173-210).
- 12 Hayek (1948: 197-199) replied that it would be impossible to deny political officials discretion in the way Lange specified, because costs are not as objective as Lange thought, and so higher-level officials would have to constantly second-guess the subjective cost accounts of their inferiors. In a different way, Shleifer and Vishny [1994] argue that Lange failed to specify what incentive these officials have to faithfully obey Lange's system, and so Public Choice government failures will be endemic in the attempted implementation of Lange's market socialism. Schweickart (1992: 28) specifies that under economic democracy, there must be “socialist entrepreneurs” who innovate, take risks and speculate, making his system remarkably subject to the respective criticisms of Hayek and Shleifer-Vishny. When a social entrepreneur's risky innovation turns out to have been mistaken, how will the socialist system be able to determine whether this was a responsible risk which was worth taking despite its eventual failure – because the failure could not have been foreseen – or whether this was an irresponsible risk whose failure the socialist entrepreneur should have foreseen? The socialist government must somehow second-guess the socialist entrepreneur's every decision.
- 13 Cf. Hayek's (1948: 186) criticism of Lange (1938)'s market socialism, taking notice of  
how much of the original claim for the superiority of planning over competition is abandoned if the planned society is now to rely for the direction of its industries to a large extent on competition. Until quite recently, at least, planning and competition used to be regarded as opposites, and this is unquestionably still true of nearly all planners except a few economists among them. I fear that the schemes of Lange and Dickinson will bitterly disappoint all those scientific planners who, in the recent words of B. M. S. Blackett, believe that “the object of planning is largely to overcome the results of competition.”
- 14 In reply to Heilbroner (1978a), Coser (1978) dissents, arguing that the welfare-state is not the capitalist system's self-defense against the workers, but quite the opposite: the welfare-state is the hard-won achievement of workers who fought to pursue socialist aims. Cf. Walzer (2010).
- 15 Denitch (1978)'s response to Heilbroner advocates guild socialism or syndicalism, and Heilbroner (1978b: 360) replies with skeptical sympathy towards Denitch's scheme. But Heilbroner generally refers more to planning than to syndicalism.

- 16 For further analysis of Orwell's views, see Makovi (2015, 2016a) and the sources cited therein, especially Roback (1985) and Crothers (1994).
- 17 Cf. Boettke and Leeson (2002: 12). As for why socialism “necessarily involves the use of power which cannot be guided by fixed rules,” see Hayek, “Planning and the Rule of Law,” in Hayek (2007 [1944]: 112-123). The socialist Jacob Marschak (Hayek 2007 [1944]: 17) called this particular chapter “excellent and truly inspiring” (Hayek 2007 [1944]: 251).
- 18 Mises (1981 [1922]: 60f.) also considered democracy a means, not an end: “The significance of the democratic form of constitution is not that it represents more nearly than any other the natural and inborn rights of man [nor] . . . is [it] to be explained by the fact that democracy is worthy of love for its own sake. The fact is that it performs functions which he [the citizen] is not prepared to do without.” Democracy is merely instrumental. For Mises (*ibid.*), the purpose of democracy is to enable peaceful transition of power and make violent revolution unnecessary. But Mises (*ibid.*) does *not* expect democracy to necessarily elect preferable political officials nor select superior political policies compared to any other constitutional form.
- 19 Dahl's (1985) argument for workplace democracy appears to make democracy constitutive of the good as well. Dahl argues that we all have a right to democracy even more than we have a right to economic liberty (see Adamson 1989: 127-192, Mayer 2001: 230). For Dahl, workplace democracy “is a matter of right” and “Dahl [has] shifted the debate about workplace democracy from the question of its consequences to the question of what justice demands” (Mayer 2001: 222). It seems that for Dahl, our right to democracy is not contingent on whether democracy is instrumentally useful for accomplishing other ends; democracy is its own end. Dahl justifies workplace democracy by arguing that a workplace is like a polity, and that just as a polity must be governed democratically, so too a workplace. (Incidentally, Meyer [2001: 236-247] replies that since employees are not forced to obtain employment by any given employer, but are free to choose whether and where to seek employment, their rights are not violated if they are not offered any democratic control of the firm.)
- 20 Mises (1981 [1922]: 71) disagrees, arguing that a democratic but illiberal regime is preferable to an authoritarian liberal regime because a frustrated illiberal majority of the people will turn to violent revolution. This is related to Mises's (1981 [1922]: 60f.) view that the purpose of democracy is not to promote better policies but only to prevent violent revolution by providing for a peaceful transition of political power. Apparently, Mises thinks it is better for a minority to surrender to an irrational mob than to attempt resistance. He seems to be offering the political equivalent of the notion that it is often better for an individual to surrender to a mugger than to resist. Mises counsels the path of least resistance, and for Mises, the solution to illiberal democracy is not to compel the people to accept a liberal, undemocratic regime against their wills, but to convince them to freely elect a liberal regime. Bryan Caplan (2011 *passim*) highlights Mises's belief that one way or another – by election or by violent revolution – the majority will eventually prevail, and therefore, Mises held, the desideratum is to convince the majority to make better choices by educating them; cf. Caplan and Stringham (2005).

- 21 In the *Road to Serfdom*, Hayek (2007 [1944]) cites an earlier edition of Jewkes's *The New Ordeal by Planning* (1968 [1948]), saying “[i]t is the best discussion known to me of a concrete instance of the phenomenon discussed in general terms in this book” (Hayek 2007 [1944]: 51). Meanwhile, for his part, Jewkes described Hayek's *Road to Serfdom* (2007 [1944]) as “masterly” (Jewkes 1968 [1948]: xiii) for its “analysis which has never been confuted” (Jewkes 1968 [1948]: 182 note).
- 22 I thank Tom G. Palmer for making this point in conversation.
- 23 Similarly, Talmon (1960: 35, 264) argues that Hobbes, Rousseau, and Marx all illegitimately *defined* their respective states as being non-oppressive. In conversation, Lode Cossaer pointed out to me that “the current (non-classical liberal) literature on federalism hasn’t learned the lesson that one can’t merely posit institutions and then decide what the outcome will be. The literature is dominated by ‘mere’ normative ideas.” Similarly, Brennan (2014: 62-64) discusses what he calls “the other Cohen fallacy” of “identifying regimes with values or motives.” According to Brennan, G. A. Cohen *defines* both socialism and capitalism as comprising both institutions *and* motives: socialism is both common ownership of the means of production *and* moral virtue, and capitalism is both private property *and* greed. Brennan (2014: 63) insists that capitalism and socialism are institutions only, producing whatever practical consequences they do, and that they must be analytically distinguished from motives and intentions. Brennan (2014: 64) concludes, “We cannot just decide to insert evil motivations into the very definition of capitalism in order to argue that capitalism is evil. That would be both bad philosophy and bad lexicography.”
- 24 Mises's analysis in (1985 [1944]) is very similar to what he wrote previously in (1983 [1919]). The difference is one work was written following WWI and the other, in response to WWII. His later work is more mature and detailed, but his earlier work is valuable as well. See also Mises (1990: 137-165) for another expression of a similar argument. Mises (1981 [1922]: 205-208) makes a surprisingly different argument.
- 25 Hints at a similar analysis are offered by Jewkes (1968: 111, 218, 223, 234, 236).
- 26 Talmon (1960: 239) indicates that Babeuf's communistic scheme for France was averse to international trade as well. The motivation here was slightly different: foreign commodities were demoralizing (Talmon 1960: 239; cf. Mises 1981 [1922]: 197). “[T]he cosmopolitan Babouvist creed preached extreme national isolation” (Talmon 1960: 244) in order “to safeguard the regenerated people 'against the contagion of pernicious examples which might otherwise enervate the force of manners, and the love of equality’” (Talmon 1960: 245). Granted, this national isolationism did not imply for Babeuf the use of military force against foreigners (Talmon 1960: 245). Nevertheless, “[f]ree intercourse with other states would not be entered upon so long as they had not adopted the principles of France” (Talmon 1960: 245). Time and again, socialism consistently implies national isolation lest foreigners interfere with the delicately and scrupulously laid plans of the masterminds. In the case of Babeuf's France, the “plan” was ideological and cultural, not economic, but the basic principle is the same: no government may plan conditions – economic or cultural – in its own country unless the citizens are isolated from relations with foreigners.
- 27 The Treaty of Rome created the European Economic Community (EEC) in 1957. When the European Union

(EU) was established in 1993, the EEC was renamed as the European Community (EC). In 2009, the EC was absorbed into the EU.