

# THE BEST OF THE OLL #68

*LUDWIG VON MISES, "ECONOMIC CALCULATION UNDER SOCIALISM" (1922)*

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*“Without calculation, economic activity is impossible. Since under Socialism economic calculation is impossible, under Socialism there can be no economic activity in our sense of the word. In small and insignificant things rational action might still persist. But, for the most part, it would no longer be possible to speak of rational production.”*



**Ludwig von Mises (1881-1973)**

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*[August, 2015]*

## Editor's Introduction

Ludwig von Mises (1881-1973) was an important theorist of the Austrian School of economic thought and an original and prolific author. His contributions to economic theory include work on the quantity theory of money, the theory of the trade cycle, the integration of monetary theory with economic theory in general, and a demonstration that socialism must fail because it cannot solve the problem of economic calculation. Mises was the first scholar to recognize that economics is part of a larger science of human action, a science which Mises called "praxeology". He taught at the University of Vienna and later at New York University.

Mises' most important work includes his critique of socialism, *Socialism: An Economic and Sociological Analysis* (1922), survey of classical liberalism, *Liberalism: A Socio-Economic Exposition* (1927), and his treatise on economic theory, *Human Action* (1949).

What Mises does in this work, which was published only 5 years after the Bolshevik Party seized power in Russia, was to attack the very root of the socialist experiment, its capacity to provide workers with a higher standard of living than under "exploitative" capitalism. Mises argues that, even if the socialist goal of economic equality were desirable (which he did not believe it was), it would still be impossible to achieve given the complex nature of modern production processes. In the absence of private property in the means of production and free market prices for all production goods, the socialist factories would not know how much of anything to produce, or with what to make it. The more complex a society becomes and the more dynamic it is as a result of innovation and changing tastes, the more it depends upon flexible and ever changing free market prices to tell investors and producers what to do with their money and their capital goods. Without these price signals to guide them, a socialist economy would, according to Mises, become stagnant, inefficient, and would ultimately collapse.

*“But the real business of economic administration, the adaptation of means to ends only begins when such a decision is taken. And only economic calculation makes this adaptation possible. Without such assistance, in the bewildering chaos of alternative materials and processes the human mind would be at a complete loss. Whenever we had to decide between different processes or different centres of production, we would be entirely at sea.”*

**“Economic Calculation under Socialism”  
(1922)<sup>1</sup>**

**Extract from Chapter 5: The Nature of Economic Activity, Part 3. “Economic Calculation”.**

... Only under very simple conditions is it possible to dispense with money calculations. In the narrow circle of a closed household, where the father is able to supervise everything, he may be able to evaluate alterations in methods of production without having recourse to money reckoning. For, in such circumstances, production is carried on with relatively little capital. Few roundabout methods of production are employed. As a rule production is concerned with consumption goods, or goods of higher orders not too far removed from consumption goods. Division of labour is still in its earliest stages. The labourer carries through the production of a commodity from beginning to end. In an advanced society all this is changed. It is impossible to argue from the experience of primitive societies that under modern conditions we can dispense with money.

In the simple conditions of a closed household, it is possible to survey the whole process of production from beginning to end. It is possible to judge whether one particular process gives more consumption goods than another. But, in the incomparably more complicated conditions of our own day, this is no longer possible. True, a socialistic society could see that 1000 litres of wine were better than 800 litres. It could decide whether or not 1000 litres of wine were to be preferred to 500 litres of oil. Such a decision would involve no calculation. The will of some man would decide. But the real business of economic administration, the adaptation of means to ends only begins when such a decision is taken. And only economic calculation makes this adaptation possible. Without such assistance, in the bewildering chaos of alternative materials and processes the human mind would be at a complete loss. Whenever we had to

decide between different processes or different centres of production, we would be entirely at sea.[1]

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To suppose that a socialist community could substitute calculations in kind for calculations in terms of money is an illusion. In a community that does not practice exchange, calculations in kind can never cover more than consumption goods. They break down completely where goods of higher order are concerned. Once society abandons free pricing of production goods rational production becomes impossible. Every step that leads away from private ownership of the means of production and the use of money is a step away from rational economic activity.

It was possible to overlook all this because such Socialism as we know at first hand exists only, one might say, in socialistic oases in what, for the rest, is a system based upon free exchange and the use of money. To this extent, indeed, we may agree with the otherwise untenable socialist contention—it is only employed for propagandist purposes—that nationalized and municipalized undertakings within an otherwise capitalist system are not Socialism. For the existence of a surrounding system of free pricing supports such concerns in their business affairs to such an extent that in them the essential peculiarity of economic activity under Socialism does not come to light. In State and municipal undertakings it is still

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<sup>1</sup> Extracts from Chapter 5: The Nature of Economic Activity, Part 3. “Economic Calculation” <[http://oll.libertyfund.org/titles/1060#Mises\\_0069\\_244](http://oll.libertyfund.org/titles/1060#Mises_0069_244)>; Chap. 6. The Organization of Production Under Socialism, Part 2. “Economic Calculation in the Socialist Community” <[http://oll.libertyfund.org/titles/1060#lf0069\\_label\\_349](http://oll.libertyfund.org/titles/1060#lf0069_label_349)> and and 4: “The Artificial Market as the Solution of the Problem of Economic Calculation” <[http://oll.libertyfund.org/titles/1060#lf0069\\_label\\_351](http://oll.libertyfund.org/titles/1060#lf0069_label_351)> in Ludwig von Mises, *Socialism: An Economic and Sociological Analysis*, trans. J. Kahane, Foreword by F.A. Hayek (Indianapolis: Liberty Fund, 1981).

possible to carry out technical improvements, because it is possible to observe the effects of similar improvements in similar private undertakings at home and abroad. In such concerns it is still possible to ascertain the advantages of reorganization because they are surrounded by a society which is still based upon private ownership in the means of production and the use of money. It is still possible for them to keep books and make calculations which for similar concerns in a purely socialist environment would be entirely out of the question.

Without calculation, economic activity is impossible. Since under Socialism economic calculation is impossible, under Socialism there can be no economic activity in our sense of the word. In small and insignificant things rational action might still persist. But, for the most part, it would no longer be possible to speak of rational production. In the absence of criteria of rationality, production could not be consciously economical.

For some time possibly the accumulated tradition of thousands of years of economic freedom would preserve the art of economic administration from complete disintegration. Men would preserve the old processes, not because they were rational, but because they were sanctified by tradition. In the meantime, however, changing conditions would make them irrational. They would become uneconomical as the result of changes brought about by the general decline of economic thought. It is true that production would no longer be "anarchical." The command of a supreme authority would govern the business of supply. Instead of the economy of "anarchical" production the senseless order of an irrational machine would be supreme. The wheels would go round, but to no effect.

Let us try to imagine the position of a socialist community. There will be hundreds and thousands of establishments in which work is going on. A minority of these will produce goods ready for use. The majority will produce capital goods and semi-manufactures. All these establishments will be closely connected. Each commodity produced will pass through a whole series of such establishments before it is ready for consumption. Yet in the incessant press of all these processes the economic administration will have no real sense of direction. It will have no means of ascertaining whether a given piece of work is really necessary, whether labour and material are not being wasted in completing it. How would it discover which

of two processes was the more satisfactory? At best, it could compare the quantity of ultimate products. But only rarely could it compare the expenditure incurred in their production. It would know exactly—or it would imagine it knew—what it wanted to produce. It ought therefore to set about obtaining the desired results with the smallest possible expenditure. But to do this it would have to be able to make calculations. And such calculations must be calculations of value. They could not be merely "technical," they could not be calculations of the objective use-value of goods and services; this is so obvious that it needs no further demonstration.

Under a system based upon private ownership in the means of production, the scale of values is the outcome of the actions of every independent member of society. Everyone plays a two-fold part in its establishment first as a consumer, secondly as producer. As consumer, he establishes the valuation of goods ready for consumption. As producer, he guides production-goods into those uses in which they yield the highest product. In this way all goods of higher orders also are graded in the way appropriate to them under the existing conditions of production and the demands of society. The interplay of these two processes ensures that the economic principle is observed in both consumption and production. And, in this way, arises the exactly graded system of prices which enables everyone to frame his demand on economic lines.

Under Socialism, all this must necessarily be lacking. The economic administration may indeed know exactly what commodities are needed most urgently. But this is only half the problem. The other half, the valuation of the means of production, it cannot solve. It can ascertain the value of the totality of such instruments. That is obviously equal to the value of the satisfactions they afford. If it calculates the loss that would be incurred by withdrawing them, it can also ascertain the value of single instruments of production. But it cannot assimilate them to a common price denominator, as can be done under a system of economic freedom and money prices.

It is not necessary that Socialism should dispense altogether with money. It is possible to conceive arrangements permitting the use of money for the exchange of consumers goods. But since the prices of the various factors of production (including labour)

could not be expressed in money, money could play no part in economic calculations. [2]

Suppose, for instance, that the socialist commonwealth was contemplating a new railway line. Would a new railway line be a good thing? If so, which of many possible routes should it cover? Under a system of private ownership we could use money calculations to decide these questions. The new line would cheapen the transportation of certain articles, and, on this basis, we could estimate whether the reduction in transport charges would be great enough to counterweigh the expenditure which the building and running of the line would involve. Such a calculation could be made only in money. We could not do it by comparing various classes of expenditure and savings in kind. If it is out of the question to reduce to a common unit the quantities of various kinds of skilled and unskilled labour, iron, coal, building materials of different kinds, machinery and the other things which the building and upkeep of railways necessitate, then it is impossible to make them the subject of economic calculation. We can make systematic economic plans only when all the commodities which we have to take into account can be assimilated to money. True, money calculations are incomplete. True, they have profound deficiencies. But we have nothing better to put in their place. And under sound monetary conditions they suffice for practical purposes. If we abandon them, economic calculation becomes absolutely impossible.

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This is not to say that the socialist community would be entirely at a loss. It would decide for or against the proposed undertaking and issue an edict. But, at best, such a decision would be based on vague valuations. It could not be based on exact calculations of value.

A stationary society could, indeed, dispense with these calculations. For there, economic operations merely repeat themselves. So that, if we assume that the socialist system of production were based upon the last state of the system of economic freedom which it superseded, and that no changes were to take place in the future, we could indeed conceive a rational and economic Socialism. But only in theory. A stationary economic system can never exist. Things are continually changing, and the stationary state, although necessary as an aid to speculation, is a theoretical assumption to which there is no counterpart in reality. And, quite apart from this, the maintenance of such a connection with the last state of the exchange economy would be out of the question, since the transition to Socialism with its equalization of incomes would necessarily transform the whole “set” of consumption and production. And then we have a socialist community which must cross the whole ocean of possible and imaginable economic permutations without the compass of economic calculation.

All economic change, therefore, would involve operations the value of which could neither be predicted beforehand nor ascertained after they had taken place. Everything would be a leap in the dark. Socialism is the renunciation of rational economy.

### **Chap. 6. The Organization of Production Under Socialism, 3: “Recent Socialist Doctrines and the Problems of Economic Calculation”.**

The problem of economic calculation is the fundamental problem of Socialism. That for decades people could write and talk about Socialism without touching this problem only shows how devastating were the effects of the Marxian prohibition on scientific scrutiny of the nature and working of a socialist economy. [3]

To prove that economic calculation would be impossible in the socialist community is to prove also

that Socialism is impracticable. Everything brought forward in favour of Socialism during the last hundred years, in thousands of writings and speeches, all the blood which has been spilt by the supporters of Socialism, cannot make socialism workable. The masses may long for it ever so ardently, innumerable revolutions and wars may be fought for it, still it will never be realised. Every attempt to carry it out will lead to syndicalism or, by some other route, to chaos, which will quickly dissolve the society, based upon the division of labour, into tiny autarkous groups.

The discovery of this fact is clearly most inconvenient for the socialist parties, and socialists of all kinds have poured out attempts to refute my arguments and to invent a system of economic calculation for Socialism. They have not been successful. They have not produced a single new argument which I have not already taken account of [4] Nothing has shaken the proof that under Socialism economic calculation is impossible.[5]

The attempt of the Russian Bolsheviks to transfer Socialism from a party programme into real life has not encountered the problem of economic calculation under Socialism, for the Soviet Republics exist within a world which forms money prices for all means of production. The rulers of the Soviet Republics base the calculations on which they make their decisions on these prices. Without the help of these prices their actions would be aimless and planless. Only so far as they refer to this price system, are they able to calculate and keep books and prepare their plans. Their position is the same as the position of the state and municipal Socialism of other countries: the problem of socialist economic calculation has not yet arisen for them. State and municipal enterprises calculate with those prices of the means of production and of consumption goods which are formed on the market. Therefore it would be precipitate to conclude from the fact that municipal and state enterprises exist, that socialist economic calculation is possible.

We know indeed that socialist enterprises in single branches of production are practicable only because of the help they get from their non-socialist environment. State and municipality can carry on their own enterprises because the taxes which capitalist enterprises pay, cover their losses. In a similar manner Russia, which left to herself would long ago have collapsed, has been supported by finance from capitalist countries. But incomparably more important

than this material assistance, which the capitalist economy gives to socialist enterprises, is the mental assistance. Without the basis for calculation which Capitalism places at the disposal of Socialism, in the shape of market prices, socialist enterprises would never be carried on, even within single branches of production or individual countries.

Socialist writers may continue to publish books about the decay of Capitalism and the coming of the socialist millennium: they may paint the evils of Capitalism in lurid colours and contrast with them an enticing picture of the blessings of a socialist society; their writings may continue to impress the thoughtless—but all this cannot alter the fate of the socialist idea. [6] The attempt to reform the world socialistically might destroy civilization. It would never set up a successful socialist community.

#### **4: “The Artificial Market as the Solution of the Problem of Economic Calculation.”**

Some of the younger socialists believe that the socialist community could solve the problem of economic calculation by the creation of an artificial market for the means of production. They admit that it was an error on the part of the older socialists to have sought to realize Socialism through the suspension of the market and the abolition of pricing for goods of higher orders; they hold that it was an error to have seen in the suppression of the market and of the price system the essence of the socialistic ideal. And they contend that if it is not to degenerate into a meaningless chaos in which the whole of our civilization would disappear, the socialist community equally with the capitalistic community, must create a market in which all goods and services may be priced. On the basis of such arrangements, they think, the socialist community will be able to make its calculations as easily as the capitalist entrepreneurs.

Unfortunately the supporters of such proposals do not see (or perhaps will not see) that it is not possible to divorce the market and its functions in regard to the formation of prices from the working of a society which is based on private property in the means of production and in which, subject to the rules of such a society, the landlords, capitalists and entrepreneurs can dispose of their property as they think fit. For the motive force of the whole process which gives rise to market prices for the factors of production is the

ceaseless search on the part of the capitalists and the entrepreneurs to maximize their profits by serving the consumers' wishes. Without the striving of the entrepreneurs (including the shareholders) for profit, of the landlords for rent, of the capitalists for interest and the labourers for wages, the successful functioning of the whole mechanism is not to be thought of. It is only the prospect of profit which directs production into those channels in which the demands of the consumer are best satisfied at least cost. If the prospect of profit disappears the mechanism of the market loses its mainspring, for it is only this prospect which sets it in motion and maintains it in operation. The market is thus the focal point of the capitalist order of society; it is the essence of Capitalism. Only under Capitalism, therefore, is it possible; it cannot be "artificially" imitated under Socialism.

*“For the motive force of the whole process which gives rise to market prices for the factors of production is the ceaseless search on the part of the capitalists and the entrepreneurs to maximize their profits by serving the consumers' wishes.”*

The advocates of the artificial market, however, are of the opinion that an artificial market can be created by instructing the controllers of the different industrial units to act as if they were entrepreneurs in a capitalistic state. They argue that even under Capitalism the managers of joint stock companies work not for themselves but for the companies, that is to say, for the shareholders. Under Socialism, therefore, it would be possible for them to act in exactly the same way as before, with the same circumspection and devotion to duty. The only difference would be that under socialism the product of the manager's labours would go to the community rather than to the shareholders. In such a way, in contrast to all socialists who have written on the subject hitherto, especially the Marxians, they think it would be possible to construct a decentralized, as opposed to a centralized, Socialism.

In order to judge properly such proposals, it is necessary in the first place to realize that these

controllers of individual industrial units would have to be appointed. Under Capitalism the managers of the joint stock companies are appointed either directly or indirectly by the shareholders. In so far as the shareholders give to the managers power to produce by the means of the company's (i.e. the shareholders') stock they are risking their own property or a part of their own property. The speculation (for it is necessarily a speculation) may succeed and bring profit; it may, however, misfire and bring about the loss of the whole or a part of the capital concerned. This committing of one's own capital to a business whose outcome is uncertain and to men whose future ability is still a matter of conjecture whatever one may know of their past, is the essence of joint stock company enterprise.

Now it is a complete fallacy to suppose that the problem of economic calculation in a socialist community relates solely to matters which fall into the sphere of the daily business routine of managers of joint stock companies. It is clear that such a belief can only arise from exclusive concentration on the idea of a stationary economic system—a conception which no doubt is useful for the solution of many theoretical problems but which has no counterpart in fact and which, if exclusively regarded, can even be positively misleading. It is clear that under stationary conditions the problem of economic calculation does not really arise. When we think of the stationary society, we think of an economy in which all the factors of production are already used in such a way as, under the given conditions, to provide the maximum of the things which are demanded by consumers. That is to say, under stationary conditions there no longer exists a problem for economic calculation to solve. The essential function of economic calculation has by hypothesis already been performed. There is no need for an apparatus of calculation. To use a popular but not altogether satisfactory terminology we can say that the problem of economic calculation is of economic dynamics: it is no problem of economic statics.

The problem of economic calculation is a problem which arises in an economy which is perpetually subject to change, an economy which every day is confronted with new problems which have to be solved. Now in order to solve such problems it is above all necessary that capital should be withdrawn from particular lines of production, from particular undertakings and concerns and should be applied in other lines of production, in other undertakings and

concerns. This is not a matter for the managers of joint stock companies, it is essentially a matter for the capitalists—the capitalists who buy and sell stocks and shares, who make loans and recover them, who make deposits in the banks and draw them out of the banks again, who speculate in all kinds of commodities. It is these operations of speculative capitalists which create those conditions of the money market, the stock exchanges and the wholesale markets which have to be taken for granted by the manager of the joint stock company, who, according to the socialist writers we are considering, is to be conceived as nothing but the reliable and conscientious servant of the company. It is the speculative capitalists who create the data to which he has to adjust his business and which therefore gives direction to his trading operations.

*“The problem of economic calculation is a problem which arises in an economy which is perpetually subject to change, an economy which every day is confronted with new problems which have to be solved.”*

It follows therefore that it is a fundamental deficiency of all these socialistic constructions which invoke the “artificial market” and artificial competition as a way out of the problem of economic calculation, that they rest on the belief that the market for factors of production is affected only by producers buying and selling commodities. It is not possible to eliminate from such markets the influence of the supply of capital from the capitalists and the demand for capital by the entrepreneurs, without destroying the mechanism itself.

Faced with this difficulty, the socialist is likely to propose that the socialist state as owner of all capital and all means of production should simply direct capital to those undertakings which promise the highest return. The available capital, he will contend, should go to those undertakings which offer the highest rate of profit. But such a state of affairs would simply mean that those managers who were less cautious and more optimistic would receive capital to enlarge their undertakings while more cautious and more skeptical managers would go away empty-handed. Under

Capitalism, the capitalist decides to whom he will entrust his own capital. The beliefs of the managers of joint stock companies regarding the future prospects of their undertakings and the hopes of project-makers regarding the profitability of their plans are not in any way decisive. The mechanism of the money market and the capital market decides. This indeed is its main task: to serve the economic system as a whole, to judge the profitability of alternative openings and not blindly to follow what the managers of particular concerns, limited by the narrow horizon of their own undertakings, are tempted to propose.

To understand this completely, it is essential to realise that the capitalist does not just invest his capital in those undertakings which offer high interest or high profit; he attempts rather to strike a balance between his desire for profit and his estimate of the risk of loss. He must exercise foresight. If he does not do so then he suffers losses—losses that bring it about that his disposition over the factors of production is transferred to the hands of others who know better how to weigh the risks and the prospects of business speculation.

Now if it is to remain socialistic, the socialist State cannot leave to other hands that disposition over capital which permits the enlargement of existing undertakings, the contraction of others and the bringing into being of undertakings that are completely new. And it is scarcely to be assumed that socialists of whatever persuasion would seriously propose that this function should be made over to some group of people who would “simply” have the business of doing what capitalists and speculators do under capitalistic conditions, the only difference being that the product of their foresight should not belong to them but to the community. Proposals of this sort may well be made concerning the managers of joint stock companies. They can never be extended to capitalists and speculators, for no socialist would dispute that the function which capitalists and speculators perform under Capitalism, namely directing the use of capital goods into that direction in which they best serve the demands of the consumer, is only performed because they are under the incentive to preserve their property and to make profits which increase it or at least allow them to live without diminishing their capital.

It follows therefore that the socialist community can do nothing but place the disposition over capital in the hands of the State or to be exact in the hands of the men who, as the governing authority, carry out the



business of the State. And that signifies elimination of the market, which indeed is the fundamental aim of Socialism, for the guidance of economic activity by the market implies organization of production and a distribution of the product according to that disposition of the spending power of individual members of society which makes itself felt on the market; that is to say, it implies precisely that which it is the goal of Socialism to eliminate.

*“If the socialists attempt to belittle the significance of the problem of economic calculation in the Socialist community, on the ground that the forces of the market do not lead to ethically justifiable arrangements, they simply show that they do not understand the real nature of the problem.”*

If the socialists attempt to belittle the significance of the problem of economic calculation in the Socialist community, on the ground that the forces of the market do not lead to ethically justifiable arrangements, they simply show that they do not understand the real nature of the problem. It is not a question of whether there shall be produced cannons or clothes, dwelling houses or churches, luxuries or subsistence. In any social order, even under Socialism, it can very easily be decided which kind and what number of consumption goods should be produced. No one has ever denied that. But once this decision has been made, there still remains the problem of ascertaining how the existing means of production can be used most effectively to produce these goods in question. In order to solve this problem it is necessary that there should be economic calculation. And economic calculation can only take place by means of money prices established in the market for production goods in a society resting on private property in the means of production. That is to say, there must exist money prices of land, raw materials, semi-manufactures; that is to say, there must be money wages and interest rates.

Thus the alternative is still either Socialism or a market economy.

## End Notes

[1] Gottl-Otthliensfeld, “Wirtschaft und Technik,” *Grundriss der Sozialökonomik*, II (Tübingen, 1914), p. 216.

[2] Neurath too admitted this. (*Durch die Kriegswirtschaft zur Naturalwirtschaft* [Munich, 1919], pp. 216 ff.) He asserts that every complete administrative economy (planned economy) is ultimately a natural economy (barter system). “To socialize therefore means to advance the natural economy.” Neurath, however, did not recognize the insurmountable difficulties economic calculation would encounter in the socialist community.

[3] We may point out here that as early as 1854 Gossen knew “that only through private property is the measure found for determining the quantity of each commodity which it would be best to produce under given conditions. Therefore, the central authority, proposed by the communists, for the distribution of the various tasks and their reward, would very soon find that it had taken on a job the solution of which far surpasses the abilities of individual men.” (Gossen, *Entwicklung der Gesetze des menschlichen Verkehrs*, new ed., [Berlin, 1889] p. 231.) Pareto (*Cours d’Économie Politique*, Vol. II, Lausanne, 1897, pp. 364 ff.) and Barone (“Il Ministro della Produzione nello Stato Coletivista” in *Giornale degli Economisti*, Vol. XXXVII, 1908, pp. 409 ff.) did not penetrate to the core of the problem. Pierson clearly and completely recognized the problem in 1902. See his *Das Wertproblem in der sozialistischen Gesellschaft* (German translation by Hayek, *Zeitschrift für Volkswirtschaft*, New Series, Vol. IV, 1925, pp. 607 ff.) Publisher’s Note: Both the Barone article (“The Ministry of Production in the Collectivist State,” pp. 245-290) and the Pierson article (“The Problem of Value in the Socialist Society,” pp. 41-85) are included in the Hayek edited *Collectivist Economic Planning*.

[4] I have briefly discussed the most important of these replies in two short essays—“Neue Beiträge zum Problem der sozialistischen Wirtschaftsrechnung” (*Archiv für Sozialwissenschaft*, Vol.

LI, pp. 488-500) and “Neue Schriften zum Problem der sozialistischen Wirtschaftsrechnung” (*Ibid.*, Vol. LX, pp. 187-90. Publisher’s Note: “Neue Beiträge zum Problem der sozialistischen Wirtschaftsrechnung” appears in part as the Appendix of this book on p. 473. The second essay mentioned by Mises in this footnote was published in 1928 and has not been translated into English. The essay was a review of recent literature on economic calculations under socialism.

[5] In scientific literature there is no more doubt about this. See Max Weber, “Wirtschaft und Gesellschaft” (*Grundriss der Sozialökonomik*, Vol. III), Tübingen, 1922, pp. 45-59; Adolf Weber, *Allgemeine Volkswirtschaftslehre*, 4th ed., Munich and Leipzig, 1932, Vol. II, pp. 369 ff.; Brutzkus, *Die Lehren des Marxismus im Lichte der russischen Revolution*, Berlin, 1928, pp. 21 ff.; C. A. Verrijn Stuart, “Winstbejag versus behoeftenbevrediging” (*Overdruk Economist*, Vol. 76 No. 1), pp. 28 ff.; Pohle-Halm, *Kapitalismus und Sozialismus*, 4th ed., Berlin, 1931, pp. 237 ff.

[6] Characteristic of this branch of literature is the recently published work of C. Landauer, *Planwirtschaft und Verkehrswirtschaft* (Munich and Leipzig, 1931). Here the writer deals with the problem of economic calculation quite naively, at first by asserting that in a socialist society “the individual enterprises...could buy from each other, just as capitalist enterprises buy from each other” (p. 114). A few pages on he explains that “besides this” the socialist state will “have to set up a control accountancy in kind”; the state will be “the only one able to do this because in contrast to Capitalism it controls production itself” (p. 122). Landauer cannot understand that—and why—one is not permitted to add and subtract figures of different denominations. Such a case is, of course, beyond help.

## Further Information

### SOURCE

Extracts from Chapter 5: The Nature of Economic Activity, Part 3. “Economic Calculation” <[http://oll.libertyfund.org/titles/1060#Mises\\_0069\\_244](http://oll.libertyfund.org/titles/1060#Mises_0069_244)>; Chap. 6. The Organization of Production Under Socialism, Part 2. “Economic Calculation in the Socialist Community” <[http://oll.libertyfund.org/titles/1060#lf0069\\_label\\_349](http://oll.libertyfund.org/titles/1060#lf0069_label_349)> and and 4: "The Artificial Market as the Solution of the Problem of Economic Calculation" <[http://oll.libertyfund.org/titles/1060#lf0069\\_label\\_351](http://oll.libertyfund.org/titles/1060#lf0069_label_351)> in Ludwig von Mises, *Socialism: An Economic and Sociological Analysis*, trans. J. Kahane, Foreword by F.A. Hayek (Indianapolis: Liberty Fund, 1981).

### FURTHER READING

Other works by Ludwig von Mises (1881-1973) <<http://oll.libertyfund.org/people/ludwig-von-mises>>

School of Thought: The Austrian School of Economics <<http://oll.libertyfund.org/groups/8>>

Topic: Socialism and the Classical Liberal Critique <<http://oll.libertyfund.org/groups/64>>

*“The distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State.”*  
*[Ludwig von Mises, “Liberty and Property” (1958)]*



### ABOUT THE BEST OF THE OLL

*The Best of the Online Library of Liberty* is a collection of some of the most important material in the Online Library of Liberty. They are chapter length extracts which have been formatted as pamphlets in **PDF**, **ePub**, and **Kindle** formats for easier distribution. These extracts are designed for use in the classroom and discussion groups, or material for a literature table for outreach. The full list can be found here <[oll.libertyfund.org/titles/2465](http://oll.libertyfund.org/titles/2465)>.

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Another useful sampling of the contents of the OLL website is the collection of weekly *Quotations about Liberty and Power* which are organized by themes such as Free Trade, Money and Banking, Natural Rights, and so on. See for example, Richard Cobden's “I have a dream” speech <[oll.libertyfund.org/quotes/326](http://oll.libertyfund.org/quotes/326)>.

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