

BOOK REVIEWS

The Political Economy of Soviet Socialism: The Formative Years, 1918–1928

Peter J. Boettke

Boston/Dordrecht/London: Kluwer Academic Publishers, 1990, 246 pp.

This scholarly book, which represents the fruit of the author's doctoral dissertation, raises once more an old controversy about the "correct" interpretation of the first decade of Soviet economic history. Put in its simplest terms, the controversy is about the relative role to be accorded to Marxist-Leninist ideology in explaining the government policies that were adopted during the period of War Communism (1918–1921) and the New Economic Policy or NEP (1921–1928). The author accords the decisive role to ideology and further maintains that Soviet economic history as a whole—the meaning of the Soviet experiment—has been fundamentally misunderstood. In building his case, the author contributes to the debate by bringing to bear the insights of Austrian political economy, most notably those of Ludwig von Mises and Friedrich Hayek.

Following an introductory chapter that lays out his basic theses and methodological approaches, the author devotes Chapter 2 to delineating his protagonist—"The Standard View." Briefly put, this view, according to the author, takes the position that Soviet central planning began with Stalin's collectivization of agriculture and the Five-Year Plans, rather than with the advent of War Communism. This conclusion arises from the "standard" view that the utopian policies of War Communism can be explained primarily as responses by a relatively weak government to the exigencies of the Civil War. Given this approach, the policies of the NEP are best seen as a departure designed to revive the economy and resolve the political crisis that followed a military victory. With an industrializing mentality and a restored economy, the Marxist-oriented Bolsheviks then collectivized agriculture and adopted a system of socialist central planning, so as to achieve their goals and maintain their political control. In contrast, Boettke argues that Soviet socialism was launched in 1918 as a deliberate attempt by the Bolsheviks to eliminate the market and private property in accordance with the Marxian recipe for achieving the goals of Communism. More broadly, Boettke maintains that the "standard view" does not give sufficient weight to the influence of Marxism as a system of thought, and that in explaining the failure of the Soviet experience with central planning, the literature does not give sufficient

weight to the economic coordination problem that any economy must face, an emphasis of Austrian economics.

In Chapter 3, the author seeks to prove that the period of War Communism represents a conscious attempt to carry out the Marxist ideal of comprehensive central planning and that its failure was the inevitable result of that ideal system's inability to solve the economic coordination problem. To buttress his case that the attempted leap to Marxian utopia was deliberate, Boettke quotes extensively from the writings of Marx, who pointed the way, and from Lenin, his faithful disciple. Its spectacular failure is then explained in terms of Mises' argument regarding the impossibility of rational economic calculations under socialism. Boettke almost seems to have forgotten that the relatively weak Bolshevik government was engaged in a civil war as it attempted to maintain political power and to survive in a hostile international climate.

Chapter 4 is devoted to an analysis of the political economy of the NEP. Following a review of the events of that period, the author sets forth the debates in the literature over how to interpret it. Was the NEP a retreat from Communist policies, or was it War Communism that, so to speak, had gotten ahead of itself? What explains the failure of the NEP? Boettke argues that Lenin's view, which attributes the problems with NEP to a lack of ability and political maturity (culture) of the Bolsheviks, reflects a fundamental misunderstanding. Lenin and his followers failed to grasp the idea that government interventionism, as embodied in the NEP, runs afoul of the knowledge problem inherent in all economic activity. Moreover, they did not appreciate the incompatibility of political authoritarianism with freedom of economic activity manifested through markets and prices. Moving to consider the current reforms, Boettke maintains that Gorbachev and a chief economic advisor, Aganbegyan, also fall prey to these misunderstandings when they hold up the NEP as a model for restructuring the Soviet economy.

Chapter 5 deals with the political economy of the so-called "Great Industrialization Debate" that took place in the midst of the NEP. The author first sets forth the ideological background for the debates, focusing on Lenin's expressed legacy of an "ambiguity and despair toward socialist construction" that stemmed from the unhappy results of six years of trying to implement socialism in practice. After a brief sketch of the economic situation during the NEP, the author then reviews the positions of the major protagonists in the debate regarding the tempo and strategy of economic development, granting that all sides agreed that industrialization was the goal. Along the way, the author lashes out at the "usual interpretations" of these debates and of the ultimate triumph of Stalinism. Essentially, Boettke's argument is that those early debates over economic development strategy, as with modern arguments over the role of government interventionism in the process, do not really come to grips with the Austrian challenge to economic planning.

Finally, in a brief concluding chapter the author draws some broader messages from his interpretation of the Soviet experience. In short, it

demonstrates vividly and tragically the economic and political folly of attempts to improve the human lot through social engineering involving extensive government intervention in the economy.

In the reviewer's opinion, Boettke to a considerable degree has created straw men, i.e., the "standard view" and the "usual interpretation" of Soviet economic history. In fact, there are a variety of views, many of which are eclectic. These approaches generally take the position that complex historical events, such as War Communism, are best explained by a complex of interacting factors, including the ideologies of the political leadership. The author's contribution is to bring the powerful insights of Austrian economics, most notably those of Mises and Hayek, to bear on the interpretation and explanation of the failure of Soviet-type political and economic systems to meet the aspirations of their peoples. That spectacular failure does indeed show that Mises was right about the dismal fate that awaits societies that attempt to replace markets and private property with central planning and state property.

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The New Art of Central Banking

M. L. Burstein

New York: New York University Press, 1991, 244 pp.

Rarely have I read a book on monetary theory and macroeconomics with such pleasure and delight. Meyer Louis Burstein is one of the most provocative monetary economists of our era, and *The New Art of Central Banking* is his best work to date. I recommend this book strongly to all those who are looking for something different, and who see economics as an art, not merely a science.

Building on an earlier essay, "Beyond the Banking Principle," Burstein considers a financially innovated world where bank assets are liquid. Extrapolating from current trends, loans are funded by securities rather than deposits. Banks as we know them no longer exist. Payment and account bookkeeping services are separate from capital markets. Exchange media bear interest, and the unit of account is a tabular standard.

Most modern theories of free banking (e.g., Selgin, White), in contrast, provide the same models for 20th-century free banking as for 18th- and 19th-century free banking. One reads these works without knowing which century is being considered. Furthermore, these models of free banking do not arise through financial innovation, but instead require the unlikely case of a government willing to give up its power over financial institutions and money.

Deregulation prevails in Burstein's world, but not through conscious design. Burstein notes that "spontaneous evolution may leave nothing to regulate." This book provides an important model for advocates of