

The Reformer's Plight in The Great Idea

I'm a fan of dystopian fiction, but I overlooked Henry Hazlitt's *The Great Idea* (subsequently republished as *Time Will Run Back*) until last December. I feared a long-winded, clunky version of Hazlitt's *Economics in One Lesson*, but I gave it a chance, and my gamble paid off. I read the whole thing (almost 400 pages) on a red-eye flight - feeling wide awake the whole way.

The book's premise: Centuries hence, mankind groans under a world Communist government centered in Moscow. People live in Stalinist fear and penury. Censorship is so extreme that virtually all pre-revolutionary writings have been destroyed; even Marx has been censored, to prevent anyone from reverse engineering whatever "capitalism" was. However, due to a marital dispute, Peter Uldanov, the dictator's son, was raised in an island paradise, free of both the horrors and the rationalizations of his dystopian society. When the dictator nears death, he brings Peter to Moscow and appoints him his heir. The well-meaning but naive Peter is instantly horrified by Communism, and sets out to fix it. In time, he rediscovers free-market economics, and sets the world to right.

Yes, this sounds trite to me, too. But Hazlitt is a master of pacing. It takes almost 200 pages before any of Peter's reforms start to work. Until then, it's one false start after another, because so many of the seemingly dysfunctional policies of the Stalinist society are remedies for *other* dysfunctional policies. Here's Peter arguing with Adams, a reform-minded Communist minister.

"...The hard fact is that some people simply have to do more unpleasant chores than others, and the only way we can get the unpleasant chores done is by compulsion. Not everybody can be a manager, or an actor or an artist or a violin player. Somebody has to dig the coal, collect the garbage, repair the sewers. Nobody will deliberately choose these smelly jobs. People will have to be assigned to them, forced to do them."

"Well, perhaps we could compensate them in some way, Adams—say by letting them work shorter hours than the others."

"We thought of that long ago, chief. It didn't work. It unluckily turned out that it was only the pleasant jobs, like acting or violin playing, that

could be reduced to short hours. But we simply can't afford to have people work only a few hours on the nasty jobs. These are precisely the jobs that have to be done. We couldn't afford to cut our coal production in half by cutting the hours in half, for example; and we just haven't got the spare manpower to rotate. Besides, we found that on most such jobs a considerable loss of time and production was involved merely in changing shifts."

"All right," agreed Peter; "so under our socialist system we can't have freedom in choice of work or occupation. But couldn't we provide some freedom of initiative—at least for those who direct production? Our propaganda is always urging more initiative on the part of commissars or individual plant managers. Why don't we get it?"

"Because a commissar or plant manager, chief, is invariably shot if his initiative goes wrong. The very fact that he was using his own initiative means that he was not following orders. How can you reconcile individual initiative with planning from the center? When we draw up our Five Year Plans, we allocate the production of hundreds of different commodities and services in accordance with what we assume to be the needs of the people. Now if every plant manager decided for himself what things his plant should produce or how much it should produce of them, our production would turn out to be completely unbalanced and chaotic."

"Very well," Peter said; "so we can't permit the individual plant manager to decide what to produce or how much to produce of it. But this is certainly a big disadvantage. For if someone on the Central Planning Board doesn't think of some new need to be satisfied, or some new way of satisfying an old need, then nobody thinks of it and nobody dares to supply it. But I have in mind something different from that. How can we encourage individual plant managers to devise more efficient ways of producing the things they are ordered to

produce? If these plant managers can't be encouraged to invent new or better consumption goods, at least they can be encouraged to invent new methods or machines to produce more economically the consumption goods they are ordered to produce, or to produce a higher quality of those consumption goods."

"You're just back to the same problem," Adams said. "If I'm a plant manager, and I invent a new machine, I'll have to ask the Central Planning Board to get somebody to build it, or to allocate the materials to me so that I can build it. In either case I'll upset the preordained central plan. I'll have a hard job convincing the Central Planning Board that my invention or experiment won't fail. If my invention does fail, and it turns out that I have wasted scarce labor and materials, I will be removed and probably shot. The member of the Central Planning Board who approved my project will be lucky if he isn't shot himself. Therefore, unless the success of my invention or experiment seems absolutely certain in advance, I will be well advised to do what everybody else does. Then if I fail, I can prove that I failed strictly according to the rules..."

Finally Peter settles on a seemingly simpler radical reform:

"Well, I can think of one more kind of freedom," Peter said, "and I am determined to create it. That is the freedom to criticize the government."

Adams started. He seemed to waver between incredulity and alarm. "You mean that you would permit people to criticize the actions of the government, and perhaps even denounce the government, and go unpunished?"

"Exactly!"

"Why, chief, you and I would be destroyed in a few weeks! If we

allowed people to criticize us with impunity they would lose all fear of us—all respect for us. There would be an explosion of criticism that would blow us out of our seats—out of Wonworld. And what would we accomplish? Our successors would, of course, immediately suppress criticism again, for their own survival. “

What happens surprises them both.

Peter eagerly looked forward to the results of his reform. There weren't any. None of the things happened that Adams had predicted. On the other hand, none of the consequences followed that Peter had hoped for. There was simply an intensification of the kind of criticism that had already been going on. People in superior positions continued to criticize people in subordinate positions; they continued to put the blame for failure on people who were not in a position to protect themselves; they continued to accuse people in minor positions of being deviationists and wreckers.

This was what had always been known as communist self-criticism. Peter put out still another proclamation. He ordered a stop to this sort of criticism. For a while it greatly diminished. But still no subordinate criticized his superior, and no one criticized the Politburo, the Party, or the government itself.

“What happened, Adams? Or rather, why didn't anything happen?”

Adams smiled. “I should have foreseen this, chief. It should have been obvious. All that happened is that nobody trusted your proclamation. They thought it was a trick.”

“A trick?”

“Yes—a trick to smoke them out. A trick to find out who were the enemies of the government, and to liquidate them. Everybody waited

for somebody else to stick his neck out, to see what would happen to him. Nobody wanted to be the first. So nobody was.”

Much the same happens when Peter orders free elections. Later, he launches a seemingly plausible experiment in worker management:

“One of our great troubles, Adams, is that we are trying to plan more than any human mind can hold. We are trying to plan every industry—and all their interrelations—and all the rest. Why not let the workers of each industry control and police their own industry? That would decentralize control and break up the planning problem into manageable units.”

“The idea has possibilities, chief . . . but it might lead to results we couldn’t foresee.”

“Precisely,” said Peter; “and that is why we ought to try it out.”

[...]

“Why not try it out, then, only on a small scale? Why not apply the idea, Adams, in only one province—far away from Moscow? Why not throw a censorship around that district, so that no news could get in or out until we were certain that the experiment was a success?”

“Have you decided, chief, who our guinea pigs would be?”

“How about the Soviet Republic of Peru? That’s certainly remote enough!”

Here’s what goes down in Soviet Peru:

At the very start he found himself confronted in Peru by a problem of unexpected difficulty. He wanted each industry to be self-governing and independent. But what was an industry? Where did each industry

begin and end?... At the end, when the Peruvian commissars he had appointed had finished their work, they had named fifty-seven different industries...

A temporary head was named for each industry. Someone jokingly nicknamed these heads the industry "czars." Each industry was told to organize itself in any way it thought fit, provided each worker was allowed an equal vote. The industry could fix its own production, its own prices or terms of exchange, its own hours and conditions of work, its own entrance requirements.

Some Peruvians called the new system "syndicalism"; others called it "guild socialism"; and still others liked the name "corporativism."

Peter returned to Moscow, promising to be back in Peru in six months to see how the new system was working. He left a secret cable code with the three top commissars to keep him informed.

Before two months had passed he received urgent cables begging for his return.

He came back to find a chaotic situation bordering on civil war. The first thing the workers in each industry had done had been to exclude anybody else from entering the industry. Each industry had quickly discovered that it could exact the best terms of exchange for its particular product by rendering it relatively scarce. There had then developed a competitive race for scarcity instead of for production. The workers in each industry voted themselves shorter and shorter hours. Each industry was either withholding goods or threatening to suspend production altogether until it got the prices it demanded for the particular kind of goods it had to supply.

Peter was indignant. He called in the various syndicates of workers representing each industry and denounced them in blistering terms

for the selfish and shortsighted way in which they had “abused” the privileges he had conferred upon them. But as he studied the matter further he cooled off, and took a more objective view. He was forced to acknowledge to himself that the fault was his own. It was inherent in the system he had set up. He had allowed each industry to become an unrestrained monopoly. The more essential or irreplaceable the product that it made, therefore, the more it could and would squeeze everybody else...

He dismantled the new system entirely, and ordered the restoration of the old centralized socialism under the Central Planning Board at Moscow.

In most literary dialogues, at least one of the characters has the answers. (“Yes, Socrates, you are quite right!”) What’s novel about Hazlitt’s dialogues is that *all* the characters are deeply confused. Even when they sound reasonable, the Complexity of the World repeatedly makes fools of them.

The Great Idea was originally published in 1951. Stalin was still alive. Fifteen years ago, Hazlitt wrote a new introduction with a grim forecast:

The Communist rulers cannot permit private ownership of the means of production not merely because this would mean the surrender of the central principle of their system, but because it would mean the restoration of individual liberty and the end of their despotic power. So I confess that the hope that some day an idealistic Peter Uldanov, miraculously finding himself at the pinnacle of power, will voluntarily restore the right of property, is a dream likely to be fulfilled only in fiction. But it is certainly not altogether idle to hope that, with a growth of economic understanding among their own people, the hands of the Communist dictators may some day be forced, more violently than Lenin’s were when the mutiny at Kronstadt, though suppressed, forced him to adopt the New Economic Policy.

Hazlitt was, of course, thoroughly wrong. As far as we can tell, Gorbachev never had any intention of restoring capitalism. But Yeltsin – a career Communist – did just that. And despite all the disappointment Putin has provoked, the former Soviet Union has seen nothing remotely approaching the horrors of the Russian Civil War. The actually-existing dystopia of the Soviet Union practically died in its sleep, proving Hazlitt’s fiction to be the opposite of wishful thinking.