

A PRE-HISTORY OF MISESIAN CALCULATION: THE CONTRIBUTION OF ADOLPHE THIERS

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Hayek (1975, p. 33) states, that Mises's article on "Economic Calculation in a Socialist Community" (1920) and the elaboration of the arguments contained in his book *Socialism* (1922) were "the most complete and successful exposition" of the central economic problem of socialism.

In short Mises's argument says that there must be a free market for factors of production, because without their exchange there would be no possibility to determine their monetary value, and without market prices attached to the factors no rational or effective allocation of them would be possible. While Mises denied the theoretical possibility of rational allocation without market prices, Hayek and Robbins conceded the theoretical possibility and questioned only the possibility of a practical solution.

The ensuing discussion unearthed several forerunners. Steele (1986, p. 73) lists Wieser (1889), Pierson (1975, pp. 41–85), and Barone (1975, pp. 245–90) and points to the earliest, insufficient attempts in refuting socialism either via the incentive problem (going back to Malthus 1798) or the inefficiency in handling the information and finding appropriate solutions in the planning process (Smith 1776).

Mises himself has hinted at Gossen as a forerunner to his argument. In a footnote (p.117) he states: "We may point out here that as early as 1854 Gossen (p. 231) 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.¹

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¹This argument—which identifies with the "efficiency problem" which goes back to Adam Smith—is not at all comparable to the powerful argument of Mises. On the contrary it considerably weakens the classical-liberal position, the implication being that, with the development of sheer calculating power embodied in computers one day there would be a chance for socialists to set up the paradigm which they had been looking for.

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In this article we will present an even earlier description of the problem of economic calculation under socialism. It was put forward by the French economist, historian, and politician Adolphe Thiers in his book *De la propriété* (On property, 1848). Because he is virtually unknown today we will give some background before we discuss the content of *On Property*.

**ADOLPHE THIERS,
HIS LIFE AND WORK UNTIL 1848**

Louis-Adolphe Thiers was born on April 16, 1797 in Marseille and was educated at the faculty of law in Aix-en-Provence. He went to Paris in 1821 and soon became a contributor of the *Constitutionnel*. From 1823 to 1827 he published the ten volumes of his celebrated *History of the French Revolution*. Early in 1830 he helped found the *National*, a new opposition newspaper, and took a leading part in the revolution. He was one of the signatories of the protest against the "July Ordinances," by which Charles X dissolved the parliament, abolished the freedom of the press, and reduced the electorate to the about 25,000 landed proprietors. At the end of 1830 he became a Member of Parliament and held a subordinate post in the finance ministry. In the years from 1832 to 1836 he repeatedly changed his portfolio, acting as minister or prime minister, resigned in 1836, but in 1840 he was president of the council and foreign minister for the second time, if only for six months. He remained a Member of Parliament under the monarchy as well as during the republic proclaimed in 1848.

Thiers was sometimes said to be a dubious and polarizing character.² Having become well known in French classical liberal society in the twenties he ranked as one of the radical supporters of the new dynasty of 1830. Beginning in 1831 he became much less radical and between 1832–1836 he held his offices in an increasingly repressive government. Under the republic he took up the position of conservative republican, but voted for Prince Louis Napoléon as president. He was one of the main adversaries of Proudhon in parliament, where he opposed him on the "right to work," which had been proclaimed in February 1848, and on his project of a "Banque d'Échange," which planned to issue paper money backed only by the "national product."

Thiers has been almost completely ignored by later economists. He appears in the contemporary *Dictionnaire d'Économie politique* (Coquelin and Guillaumin 1852, p. 733f.), yet he does not appear in Rothbard's *Classical Economics*. Schumpeter, in his *History of Economic Analysis* (1954, p. 426), refers to Thiers only as the author of the *History of the French Revolution* and classifies him among the "writers whom we do not value primarily as scholars, for example, Thiers, the politician." We take this reference to him as being a (more or less opportunistic) politician as the main reason why later scholars did not refer to him.³

²See e.g., his characterization in the *Encyclopaedia Britannica* (1963, p. 133).

³Only after we had finished this article did we learn about *The Lost Literature of Socialism* by George Watson (Brownlow 1999, pp. 27–29), the contents of which are here therefore not taken into account.

THIERS'S ON PROPERTY: THE ORDER OF THE ARGUMENT

After the breakdown of the "social republic" (February–June 1848), Thiers wrote his book *On Property*, which was finished in September 1848 and published at the end of that year. His argument was based on what he considered to be obvious for a classical liberal at that time:

There was a simple evidence regarding certain moral truths, which we thought to be axioms without need for demonstration because of their inherent clarity: A man works and collects the price of his work; as price he receives money, he exchanges the money for bread or clothing and thus consumes it; if he has too much of it he lends it and he is paid interest, of which he lives; or else he gives it to whoever he pleases, his wife, his children, his friends. (Thiers 1848, p. 2)⁴

I try to be clear, brief, and conclusive while proving to my contemporaries, what they believed never needed any proof, namely that what they have earned yesterday is theirs, just theirs and they can either support themselves or their children with it. See where we are today, where false philosophers have brought us, who band together with a mob led astray. (Ibid., p. 5)⁵

In chapters 2 thru 5 of the first volume (there are four) he proceeds to give a foundation of property. In fact he gives three separate derivations of the right to property, giving the reader the less convincing arguments first and then proceeding to the irrefutable.

In chapter 2, Thiers proposes to deduce natural laws from the observation of human nature in the same way as of things and animals, concluding that because man is a moral being "the laws constitute the rights" (p. 19) for him. Yet this introduces human needs on the rightfulness or wrongfulness of which Thiers cannot decide. Therefore he has to give the utility of property for society a place in his reasoning.

In chapter 3, he makes the historical and ethnological argument, that property is a universal constant of all times and all people (p. 20).

In chapter 4 and 5, he derives property from man's perception of his existence: To exist as a human being means to own oneself. Therefore a man can claim the ownership of himself, his ego, his mental faculties. From this derives the person's ownership of his body. These two forms of property Thiers calls the "first property." A "second property," which is one's work and the product of this work, then arises from the first. Here Thiers stresses the incentive argument, namely that without the attribution of ownership of his own labor's product man would refrain from producing at all, taking only what is directly at hand to satisfy his immediate needs.

The second part of *On Property* deals with communism as the absolute and unconditional negation of property, the doctrine, that man works not for himself, but for society. Thiers undertakes to show the logical impossibility of communism.

⁴The translation is ours.

⁵Again, the translation is ours.

I have given a direct proof, I have shown, that society is based on the simple, fertile, necessary principle of individual property; now I will give the indirect proof and show society as if being based on the opposite principle (if it is possible to imagine something like that for a moment), on the negation of property and on the community of goods, thereby using the proof by the absurd like the mathematicians do. (p. 131; italics are mine)

Here, Thiers takes up again the incentive argument. If under communism every worker is paid the same amount for his work (and this is a prerequisite otherwise differences in wealth would instantly reappear), workers will reduce their work effort or will have to be supervised continually and oppressively (p. 134). On the consumption side people have no incentive to, and in fact can not be allowed to, save.

THE ECONOMIC CALCULATION ARGUMENT

The third part then is devoted to socialism. Socialists, according to Thiers, are those people who do not want to abolish property completely, but want to correct, by different means, the effects of private property. Here Thiers concentrates on three particular features or models of socialism⁶ current in the discussion of that time: Cooperatives, mutualism,⁷ and the right to work.⁸

It is in the discussion of the working of cooperatives, that Thiers introduces the economic calculation argument. The cooperatives had been proposed by Louis Blanc in his *Organization of Work* (1839) and had been set up in 1848 during the months of the "social republic" with shattering results.⁹

The proposed solution to the perceived inequalities between workers and enterprise owners had been:

1. To fix output prices and quantities to eliminate competition, whereby the one who used capital, work processes, and inventions more efficiently could undercut the prevailing market price thus causing other companies who did not adapt to be forced out of the market (p. 181f.).
2. To transfer the ownership of the new industrial companies to workers' associations with the necessary capital being supplied by the government (or guarantee).

Having discussed questions of capital and management related to the creation of cooperatives, Thiers adds a chapter "On the Suppression of Competition" (chap. 7), discussing the role of a free market for the formation of prices, from which the following quotation is taken:

⁶Thiers's concept of "socialism" compares with Mises's "interventionism," which equals today's social democracy.

⁷The system proposed by P.-J. Proudhon with the Exchange Bank ("Banque d'échange") at its core.

⁸Which in fact was on the agenda of all socialists like Louis Blanc, Pierre-Joseph Proudhon, Victor Considérant, Pierre Leroux, or Étienne Cabet.

⁹Later their defenders claimed that Blanc's ideas had not truly been realized by them.

What is it, what has been complained about in fact? That everybody, if he is left to himself, undercuts prices by an unrestrained competition. Is it about this, yes or no? What remedy can be found against that? Should one leave everybody to produce as much as he wants, as in the past? But then everything would be exactly as it was before. . . . If one really strives to stop the evil it would be necessary that the cooperatives, cooperating with one another, come to a mutual understanding, by means of a general government, to limit production. Then one would really have achieved something. But which basis would one use to support the claim: There is enough of cotton fabric, enough cloth, enough iron? There is only one, the price, because it is impossible in a society of 20, 30, 40, or 80 million people to know, whether there is enough of food, clothing, or housing, or not. There is only one method to judge about this by that which is called the exaggeration or decrease of prices. The only element of decision to limit production would evidently be the price. You would have therefore decided this insignificant question, this question of such little importance, which is called the price of things, by your own opinion! Yes, that is the certain, infallible consequence of the system of cooperatives: Either you have nothing done, absolutely nothing, but to suppose a reserve which even today's entrepreneurs are not able to procure from their profits, or you would have engaged in a contract to fix the price of all products; and what is in fact which fixes the price in a free society. Competition. Suppress it, and you have to fix it yourself.

This then is the society which you would like to constitute: one immense privilege, in the middle of the republic, after the fall of several monarchies, which have been dethroned for the crime of privilege, the privilege of election, the privilege of publication, the privilege of taxes. This would be the last word of the new brotherhood! (Pp. 256–58)¹⁰

Thiers does not distinguish between the abolition of the markets for the factors of production and the monopolization of the production of consumer goods. He remarks that with the total or even partial suppression of competition by mutual price fixing between monopolistic cooperatives there can be no free-market price resulting from that competition. In consequence there would be no possibility to determine the right quantities to be produced of any consumers' goods. Price fixing becomes arbitrary, depending on subjective opinion rather than rational calculation by the owners or managers of the monopolistic cooperative or the government, which protects it. We take Thiers's hint of the role of prices in the presence of millions of people not as a reference to the complexity of the calculation as in the case of Gossen, but to the inability of asking directly for the valuations of the consumers.

THE IDEOLOGICAL ENVIRONMENT LEADING TO THIERS'S WORK

Compared to literature from other countries the stress on property is unique. What were the intellectual foundations and what were the circumstances that led to this work?

¹⁰My translation and emphasis added.

1. It was probably the Catholic background incorporating the Scholastic speculations which favored this focus. One of the Scholastic traditions was the teaching about the existence of a natural law governing human action and the discussions about the character of the "just price" (*pretium iustum*). Catholicism had always been very strong in France. Thus the French Physiocratic School (physiocracy being the philosophy of the "natural state") could draw on this Catholic legacy, which held that it is the free exchange that generates the just price.

A different case was Great Britain, where the largely empiricist attitude of scientists and philosophers would have hindered a comparable work. The British tradition tended to favor utilitarian thinking, which was taken up later by the Lausanne School.

In this respect one could state that the Austrian School was a continuation of that older stream of thinking of which Adolphe Thiers was a part.

2. As it becomes clear from Thiers's introduction to his book, it was the conflicts with socialists at the beginning of the nineteenth century, who were strongest in France, which led to the necessity to state clearly the principles from those traditions. Even granting the socialists, that their main interest was the question of what constitutes equity and justice in society, the French Revolution elaborated not only on the principle of justice but also on that of democracy, that is the legitimization of the tyranny of the majority. The increasing role of socialist ideas in Germany supported by left Hegelianism led to the same necessity to restate the principles of human conduct, on which society was founded, of which Gossen's work is a part.

CONCLUSION

Mises's argument on the impossibility of economic calculation under socialism, first proposed in 1920, has forerunners. One of the early forerunners was Adolphe Thiers in his book *De la propriété*, which was published in 1848.

Thiers understood that he was fighting for the case of the economists against socialists and communists. He wrote a popular book after the socialist revolution of 1848 putting forward an eloquent defense of property as the foundation of society.

Although largely neglected, his work is interesting because he based economic argument on a property-rights framework and because he already hinted towards the problem of economic calculation under socialism.

The particular force of his argument lies in the refutation of economic calculation under socialism not only on grounds of practicability, but of a theoretical reasoning about the role of property and thus the role of the market and prices for the allocation of goods.

Being himself a politician he was compromising in the application of his own principles, which makes especially the last part of his book, *On Taxation*, contradictory in view of the preceding parts.

Thiers's argument can be interpreted as resulting from the tradition of the natural-law school of the Physiocrats, who could themselves draw on the Catholic tradition of natural law and the discussion of the "just price."

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