

BOOK REVIEW

***National Economic Planning: What is Left?*, Don Lavoie, 1985,
Ballinger Publishing Company: Cambridge, MA, 289 pp,
ISBN 0887300553**

David Waugh*

When Don Lavoie wrote *National Economic Planning: What is Left?* in 1985, the USSR was crumbling. Mikhail Gorbachev had recently been elected General Secretary of the Communist Party and was attempting to reform the failing state with *glasnost* (“openness”) and *perestroika* (“restructuring”) before its ultimate collapse. Lavoie published *National Economic Planning: What is Left?* in the same year as he published *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered*, and both books address similar themes in Austrian economics. If *Rivalry and Central Planning* can be seen as a comprehensive and theoretical summary of why economic planning cannot work, then *National Economic Planning*, by exploring what happens in practice with attempts at planning and highlighting its failure as a viable means of economic organization, serves as the Austrian school version of, “I told you so.” Importantly, Lavoie also re-examines the origins of national economic planning, which he argues are steeped in feudalism and militarism. He finds that, contrary to the views of those on the Left, planning is not progressive but is fundamentally reactionary. Building on this observation, Lavoie concludes that the embrace of markets and spontaneous order is actually the “radical” ideology that will “set in motion progressive forces” with the ability to solve human problems such as “poverty, disease, and environmental decay” and transcend “war and militarism, political oppression, and special privilege,” perhaps more so than the Left could have ever imagined (2-3).

Lavoie begins by conceptualizing societal organization in three distinct forms—traditional, markets, and planning. Tradition-based organization relies on how society has organized itself in the past, basing economic plans on social norms. Market-based organizations use competition and prices to coordinate activity. In contrast, planning attempts to replace the spontaneous coordination that markets create with planned economic activity. Lavoie argues that planning cannot work and will only serve to disrupt social and economic coordination. First, planning suffers from the knowledge problem. Central planners cannot possibly know enough to coordinate economic plans as can decentralized markets. Additionally, even if they are aware of individuals plans, they can only gather information based on past coordination rather than future plans. Second, planning suffers from the totalitarian problem. When planning is concentrated in the hands of a select group of central planners, it inevitably leads to totalitarian regimes, as described by F.A. Hayek in *The Road to Serfdom*. Lavoie argues that in our current state, we suffer from policies found on both the Left and the Right. The Left’s tendencies to promote economic planning are as destructive as the Right’s militarism, and both can be traced to feudalistic and militaristic ideas that originated under thinkers such as Saint Simon, who displayed “contempt for the masses.” Both attempt to replace individualism with centralization and planning.

Interestingly, Lavoie was first exposed to Austrian economics through a mistake in economic planning. Having taken a summer job as a college student to operate a railway gate, Lavoie found that the gate had been automated a few years earlier (*Rivalry and Central Planning*,

* At the time of submission, David Waugh was an undergraduate student in economics at Hampden-Sydney College.

xiv). With the time on his hands, he read works by Hazlitt, Hayek, and Mises. As a computer science student with an interest in the emerging field of artificial intelligence, he was drawn to these readings as they pertained to the philosophy of knowledge. He ultimately went on to graduate school in economics at New York University (Ph.D., 1981) where Israel Kirzner—a preeminent student of Mises—became his Ph.D. advisor. As a professor of economics at George Mason University, Lavoie focused on comparative economic systems and on the application of hermeneutics to economics. Of interest, the latter triggered a debate within the Austrian school around the issue of whether “it was critical to stress the interpretive dimension of economics or if instead we should view economics as an objective science of subjective phenomena” (*Rivalry and Central Planning*, xv). Lavoie passed away in 2001 at the age of 50, an unfortunately early loss of a powerful voice promoting freedom with sound scholarship.

In my view, the strength of *National Economic Planning: What is Left?*, and its *raison d’être*, can be found in its final chapter where Lavoie develops two critical ideas. First, as he writes, “Planning does not accidentally deteriorate into the militarization of the economy; it is the militarization of the economy...The theory of planning was, from its inception, modeled after feudal and militaristic organizations. Elements of the Left tried to transform it into a radical program, to fit it into a progressive revolutionary vision. But it doesn’t fit. Attempts to implement this theory invariably reveal its true nature” (230). The second is that today, “to varying degrees every economic system of the modern world is, in the final analysis, of one kind...whether this militarization of the economy is left naked (Hitler) or is dressed up as progressive reform (Baruch), Marxist communism (Stalin), or free-market ideals (Reagan), its true nature remains the same: it is national economic planning” (232). From these points, Lavoie argues that “[r]adicals have let their past belief in comprehensive planning push them, by virtue of its utter failure and their unquestioned aversion to free-market institutions, into irreconcilable conflict with their own goals.” (241). Lavoie argues that whether their focus is on economic planning or militarism, both political parties are involved in coercive forms of government that use planning to increase centralization. With this in mind, Lavoie makes what I find to be one of the strongest points of the work—he advocates a break from planning and a return to the Jeffersonian ideals envisioned in the birth of America: “Unlike the failed Marxist utopia of Planning, the Jeffersonian, market-guided society is a workable ideal, an ideal that when properly understood is far more consistent with the humanitarian and internationalistic values of the left” (238). Certainly, it is well past time to abandon planning and find what is left—the truly radical vision of free markets accompanied by free societies.

References

Lavoie, Don, and Christopher J. Coyne. *National Economic Planning: What Is Left?* Mercatus Center, George Mason University, 2016.

Lavoie, Don. *Rivalry and Central Planning: the Socialist Calculation Debate Reconsidered*. Mercatus Center, George Mason University, 2015.

“Critique of Centralized Economic Planning.” Donald C. Lavoie, November 20, 2013. <https://donlavoie.org/critique-of-centralized-economic-planning-2>.